

valuation report

Eagle Asset Management (CP) Limited
Suite 3008, 30/F, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
(the Manager for Champion Real Estate Investment Trust ("Champion REIT"))

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong
(the Trustee for Champion REIT)

1 March 2007

Dear Sirs

Re: Various Portions in Citibank Plaza, 3 Garden Road, Central, Hong Kong

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the captioned property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2006 (referred to as the "Valuation Date").

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property which we would define as intended to mean 'the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with Chapter 6.8 of the Code on Real Estate Investment Trust and The HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.



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Central, Hong Kong

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VALUATION METHODOLOGIES

We have valued the property on the basis of capitalization of the net income shown on schedules handed to us and also by reference to sales evidence available in the market.

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular, we have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach is the most appropriate valuation method for assessing the market value of the property with regard to the income driven nature of the property. We have assumed that no significant capital expenditure by the owners of the property will be required in the foreseeable future.

Income Capitalization

The Income Capitalization Approach is a method of valuation whereby the existing rental incomes of all lettable units of the property are capitalized for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the Government lease under which the property is held. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of the property.

The market rentals of all lettable units are made (a) by reference to the rentals fetched in the property and (b) by reference to the lettings of similar properties in the neighbourhood in the range of HK\$45 to HK\$320 per sq.ft. of Gross Rentable Area for retail space and HK\$50 to HK\$110 per sq.ft. of Gross Rentable Area for office space. The capitalization rate adopted is made by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factor and the like. Our adopted capitalization rates for the retail accommodation and office are 4.5% and 4.0% respectively.

Direct Comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a check for the valuation arrived at from the Income Capitalization Approach. In this regard, comparable sales transactions of both en-bloc and strata-title Grade A office premises in Central District around the date of valuation are collected and analyzed in terms of a price per square footage in the range of HK\$9,000 to HK\$15,500 per sq.ft. of Total Floor Area. The collected comparables are then adjusted to take account of the discrepancies between the property and comparables in terms of time, location, age, building quality and the like.

TITLE INVESTIGATIONS

We have not been provided with extracts from title documents relating to the property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

In performing our valuation, we have been provided with a copy of, and have noted, the legal opinion relating to the leasehold title of the property issued by the legal adviser to the Manager.

VALUATION CONSIDERATION

We have relied to a very considerable extent on information given by the instructing party and have accepted information given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the property valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the property is free of rot, infestation or any other structural defect. No test were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the property and are not a related corporation of nor do we have a relationship with the Trustee, the Manager or other party/parties who, Champion REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We enclose herewith our valuation certificate and market overview.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	Estimated Net Property Yield																												
Various Portions in Citibank Plaza, 3 Garden Road, Central, Hong Kong (See Note 1)	<p>Citibank Plaza is an office/commercial/ carparking development situated in Central district. It comprises one 47-storey office block, known as Citibank Tower, and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.</p> <p>The property comprises the whole of the retail accommodation and the majority of the offices of the development. The total floor area and the gross rentable area of the retail and office portions of the property are as follows:-</p> <table border="1"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Total Floor Area</th> </tr> <tr> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>5,362.41</td> <td>57,721</td> </tr> <tr> <td>Office</td> <td>133,296.64</td> <td>1,434,805</td> </tr> <tr> <td>Total</td> <td>138,659.05</td> <td>1,492,526</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Gross Rentable Area</th> </tr> <tr> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>3,956.99</td> <td>42,593</td> </tr> <tr> <td>Office</td> <td>103,830.73</td> <td>1,117,634</td> </tr> <tr> <td>Total</td> <td>107,787.72</td> <td>1,160,227</td> </tr> </tbody> </table> <p>The property also includes 55 private car parking spaces and a fee paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.</p> <p>Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Coveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No. 12063 at an annual rent equivalent to 3% of the rateable value for the time being of the lot.</p>	Use	Total Floor Area		sq.m.	sq.ft.	Retail	5,362.41	57,721	Office	133,296.64	1,434,805	Total	138,659.05	1,492,526	Use	Gross Rentable Area		sq.m.	sq.ft.	Retail	3,956.99	42,593	Office	103,830.73	1,117,634	Total	107,787.72	1,160,227	<p>The office and retail portions of the property are let under various tenancies for various terms with the last expiry date in May 2014, yielding a total monthly rental income of approximately HK\$41.7 million exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then market rents.</p> <p>The current occupancy rate of the property (excluding car parking spaces and miscellaneous areas) is approximately 96.2%.</p> <p>A total of 500 carparks and 50 motorcycle parking spaces are being operated as a fee-paying public carpark and the remaining 55 carparks are occupied as private carparks and let under various licences. The total average monthly income from January 2006 to December 2006 is approximately HK\$897,000 inclusive of rates, management and utility charges.</p> <p>Various spaces for cellular phone systems are let under five licences for terms of two to three years with the last expiry date in July 2009, yielding a total monthly licence fee of approximately HK\$79,000 exclusive of rates, management and utility charges.</p> <p>Various advertising spaces and the naming rights of Citibank Tower and ICBC Tower are licensed under various licences for terms of six to ten years with the last expiry date in May 2014, yielding a total monthly licence fees of approximately HK\$1,300,000 exclusive of rates, management and utility charges.</p>	HK\$23,500,000,000	2.25%
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VALUATION CERTIFICATE (Continued)

Notes

- 1 The property comprises the following portions:

Office & Health Club (ICBC Tower)	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).
Office (Citibank Tower)	Various portions of Citibank Tower including portion on 3rd Floor, 7th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors, 25th to 30th Floors, Portions A and B on 31st Floor, 32nd to 33rd Floors, 38th to 39th Floors, Portions A and B on 40th Floor and 41st to 50th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).
Retail Shop	Restaurant and Shops 1 to 5 on Lower Ground Floor of the development.
Car Parking Space	Private car parking space nos. 5 to 33, 42 to 51, 118 to 131 and 166 to 167 on Basement 2 and public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the development.
- 2 The registered owners of the respective portions of the property are set out below:

Registered Owner	Portion of the property
Shine Hill Development Limited	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors). Various portions of Citibank Tower, including portion on 3rd Floor, 7th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 28th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors). Restaurant and Shops 1 to 4 on Lower Ground Floor of the development. Private car parking space nos. 5 to 20, 26 to 33, 45 to 51, 121 to 122 and 166 and 167 on Basement 2 and public carpark comprising 500 private car parking spaces and 50 motor cycle parking spaces within the development. All those Reserved Areas as defined in the Deed of Mutual Covenant and Management Agreement in respect of Citibank Plaza registered in the Land Registry by Memorial No. UB5511011 (being those parts of the buildings (not specifically assigned for the exclusive use of any Owner and not being part of the common areas) reserved for the exclusive use and occupation of Shine Hill (including without limitation to the generality of the foregoing, the Main Roofs, the flat roof, the External Walls, the loading/unloading areas on the First Basement and three (3) flag poles at or above Level +14.668 facing the transverse road).
Maple Court Limited	29th to 30th Floors and Portion B on 31st Floor of Citibank Tower Private car parking space nos. 21 to 22 on Basement 2 of the development.
Panhy Limited	Portion A on 31st Floor and 32nd to 33rd Floors of Citibank Tower. Private car parking space nos. 42 to 44 on Basement 2 of the development.
Well Charm Development Limited	38th Floor of Citibank Tower.
CP (Portion A) Limited	Portion A on 40th Floor, 41st to 50th Floors of Citibank Tower. Shop 5 on Lower Ground Floor of the development. Private car parking space nos. 118 to 120 and 123 to 131 on Basement 2 of the development.
CP (Portion B) Limited	39th Floor and Portion B on 40th Floor of Citibank Tower. Private parking space nos. 23 to 25 on Basement 2 of the development.
- 3 The portion of the property held by Shine Hill Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HK\$16,117,000,000 dated 26 April 2006.
- 4 The portion of the property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HK\$860,000,000 dated 26 April 2006.
- 5 The portion of the property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HK\$885,000,000 dated 26 April 2006.
- 6 The portion of the property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HK\$363,000,000 dated 26 April 2006.
- 7 The portion of the property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HK\$3,841,000,000 dated 26 April 2006.
- 8 The portion of the property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HK\$604,000,000 dated 26 April 2006.
- 9 The property is subject to a legal charge and debenture in favour of Hang Seng Bank Limited.
- 10 The property lies within an area zoned "Commercial" under Central District Outline Zoning Plan.
- 11 The rentals reported herein are the total of the face rentals without taking into account any rent free periods or the turnover rents received, if any.

- 12 Based on the tenancy information provided by the Group, our analysis of the existing tenancy profile as at 31 December 2006 (excluding car parking spaces and miscellaneous areas) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	1,116,179	96.2
Vacant	44,048	3.8
Total	1,160,227	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2002	121,448	10.9	5,271,304	12.6	3	2.6
2003	8,043	0.7	197,054	0.5	1	0.9
2004	452,157	40.5	10,700,461	25.7	22	18.8
2005	294,488	26.4	10,567,082	25.3	48	41.0
2006	221,737	19.9	13,573,689	32.6	41	35.0
2007**	18,306	1.6	1,380,105	3.3	2	1.7
Total	1,116,179	100	41,689,695	100	117	100

** The two tenancies both with commencement date on 1 January 2007 were signed before the Valuation Date.

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Monthly	30,517	2.7	400,000	1.0	1	0.8
2007	220,217	19.7	7,709,615	18.5	43	36.8
2008	190,001	17.0	9,677,306	23.2	39	33.3
2009	47,269	4.2	2,710,475	6.5	12	10.3
2010	310,275	27.8	8,237,782	19.8	9	7.7
2011 [#]	193,667	17.4	9,145,721	21.9	9	7.7
2012	16,472	1.5	1,062,444	2.5	1	0.9
2014	107,761	9.7	2,746,352	6.6	3	2.5
Total	1,116,179	100	41,689,695	100	117	100

[#] 21,155 sq.ft. out of 193,667 sq.ft. are subject to extension for 3 years from 1 October 2008 at the option of a tenant under the relevant leases. The figure of 193,667 sq.ft. is based on the assumption that the above option is exercised.

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Monthly	30,517	2.7	400,000	1.0	1	0.9
1	15,294	1.4	853,962	2.0	6	5.1
2	174,306	15.6	8,891,993	21.3	39	33.3
3	256,988	23.0	10,020,190	24.0	46	39.3
4	43,946	3.9	2,394,194	5.7	4	3.4
5	74,331	6.7	3,691,780	8.9	6	5.1
6	281,986	25.3	7,056,074	16.9	9	7.7
7	10,322	0.9	443,846	1.1	1	0.9
9	123,053	11.0	5,280,669	12.7	3	2.6
10	105,436	9.5	2,656,987	6.4	2	1.7
Total	1,116,179	100	41,689,695	100	117	100

OFFICE MARKET OVERVIEW

Service Sector Office Demand

Hong Kong's office market has grown rapidly since the early 1980's reflecting the emergence of a more services oriented economy. As manufacturing processes have been relocated into the Pearl River Delta with the opening up of the Chinese economy, Hong Kong-based companies have focused more on the provision of services such as finance, logistics and management. Being located on the international time zone between Asia and Europe has also helped Hong Kong to become a global financial centre. These characteristics have given rise to demand for high quality office space to accommodate an increasingly sophisticated services driven economy.

Office Stock

Proximity to Mainland China has benefited Hong Kong greatly with its ability to tap into the vast resources and population on its doorstep. According to the Rating and Valuation Department, Hong Kong's total office stock grew more than 2-fold between 1982 and 2005.

At the end of 2005, Grade 'A' office space accounted for approximately 59 per cent of all office stock, while the remaining 41 per cent was accounted for by Grade 'B' and 'C' space.

Central is the central business district (CBD) of Hong Kong, and is also the centre of government. Central represents approximately 19 per cent of total office stock of all grades and 33 per cent of the total stock of Grade 'A' offices. Central, together with the other traditional business districts of Wanchai/Causeway Bay and Tsimshatsui, represented more than 64 per cent of total Grade 'A' office stock at the end of 2005.

Rental Trends

A strong rebound was experienced by the Hong Kong economy after the successful containment of SARS in 2003 and this growth was reflected in the Hong Kong office market when Grade 'A' office rents reversed their downward trend and rose consistently from Q4/2003. A booming financial services sector has in turn stimulated demand from professional services firms, while the trading and manufacturing economy has also recorded robust growth over the period.

The average Grade 'A' office rent rose by around 78 per cent from the end of Q3/2003 to the end of Q2/2006 and even more dramatic growth of around 116 per cent was noted in Central, although some signs of slowing momentum were observed in the first half of 2006 after months of very rapid gains¹.

Price Trends

A dramatic turnaround was witnessed in the Grade 'A' office sales market in 2003, with prices dropping over the first half of the year and rebounding over the second half, resulting in an aggregate whole year increase, the first year to record a year-on-year increase in Grade 'A' office values since 1996.

Positive investment sentiment continued in 2004 when prices nearly doubled on the back of the strong economic recovery and rising rents, only to cool off from the beginning of 2005 as interest rates started climbing. As the prime interest rate rose from 5.25 per cent at the beginning of 2005 to 8 per cent by June 2006, office prices increased only modestly over the period, by 24 per cent, with prices recording a mild 4 per cent increase over first half of 2006.

¹ Source: Rating and Valuation Department

Supply

The Asian Financial Crisis from 1997 and a general lack of sites in core office locations acted to constrain development activity in the latter part of the 90s and the supply of offices had fallen to low levels by 2000. The average supply of Grade 'A' office space between 2000 and 2004 stood at 1.6 million sq.ft. per annum, significantly below the 1990 to 1999 average of 3 million sq.ft. per annum.

New supply of offices is expected to remain at low levels in the core areas of Central, Wanchai/Causeway Bay and Tsimshatsui over the next few years. Forecast supply of Grade 'A' offices between 2006 and 2010 is expected to reach approximately 10 million sq.ft., or 2.1 million sq.ft. per annum, below the 10-year average supply of 2.4 million sq.ft. recorded between 1996 and 2005 and below 10 year average take-up of 2.2 million sq.ft. per annum over the same period.

Most new supply is scheduled to come on stream in emerging office locations over the next five years and after the completion of York House in Central, there will be no new supply in the core locations until the completion of the redevelopment of the Hennessy Centre in Causeway Bay in 2010. Between 2006 and 2010, 47.8 per cent of grade 'A' office supply will be completed in the emerging decentralized office districts of Kowloon Bay/Kwun Tong.

In the face of extremely limited availability, tenants in core locations are expected to look at options such as splitting operations, decentralizing or downgrading in order to accommodate their growing headcounts. Meanwhile, rents in Central are expected to continue rising into next year.

Vacancy

Location sensitive financial services tenants are generally reluctant to leave the CBD, and many have continued to expand in Central, but these tenants are now faced with a far more limited choice of suitable accommodation. Office vacancy in Central fell to 3.3 per cent in September 2006, while vacancy in the Central Grade 'AAA' office sector declined to a frictional level below 1 per cent². Outside Central, we expect vacancy to begin to rise as new supply comes on stream.

Outlook

Demand for office space is expected to remain high as it is anticipated that real GDP growth will average approximately 4.7 per cent per annum over the period from 2006 to 2010³. While new supply of offices is not expected to match demand over the period as a whole, high supply levels of 4.3 million sq.ft. in 2008 are expected to result in some softening of rents from next year, especially outside Central.

Although the structural shift of the domestic economy from manufacturing to services is now largely complete, manufacturers in Hong Kong will continue to take advantage of the low operating costs in the Pearl River Delta Region and leverage Hong Kong's advanced business services skills, its infrastructure and experience in international trade to expand their businesses.

Meanwhile, the finance sector and related business services is expected to benefit from the growing strength of the economy and the rapid development of Mainland China. Increasing demand for higher end services such as personal banking, trade finance, fund raising, and accounting is expected from the region.

² Source: Savills estimates

³ Source: Consensus Economics, April 2006