



Champion REIT

冠君產業信託

Interim Report 07
中期報告書

MANAGING
GROWTH



Average Passing Office Rents (HK\$ per sq. ft.)
寫字樓平均現收月租 (港元/每平方呎)

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))

TRUST PROFILE

Champion Real Estate Investment Trust (“Champion REIT” or “Trust”) is a trust formed to own and invest in income-producing office and retail properties in Hong Kong. It is Hong Kong’s largest commercial REIT by market capitalization and currently offers investors direct exposure to the prime Grade-A office market by way of its sole asset, Citibank Plaza, a 1.6 million sq. ft. office complex located in the Central District of Hong Kong.

TRUST OBJECTIVES

Champion REIT’s key objectives are to provide investors with stable and sustainable distributions and to achieve long-term capital growth. This aim of providing attractive total returns will be achieved by, among other things, proactive management of the properties in the Trust’s portfolio and the selective acquisition of properties that enhance existing yields.

GLOBAL BEST PRACTICES AND STANDARDS

Champion REIT is committed to attaining global best practices and standards. Champion REIT’s interpretation of ‘global best practices and standards’ is based upon the ‘OECD Principles of Corporate Governance’. This set of principles has become an international benchmark of investors, corporations and other stakeholders worldwide. The six key principles as defined by the OECD are:

- Ensuring the Basis for an Efficient Corporate Governance Framework
- The Rights of Unitholders and Key Ownership Functions
- The Equitable Treatment of Unitholders
- The Role of Stakeholders in Corporate Governance
- Disclosure and Transparency
- The Responsibilities of the Board



FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2007

| | 1st Half of FY2007 | Comparative Figure | % Change | 26 Apr 2006 – 30 Jun 2006 * |
|-------------------------------|-----------------------|-------------------------|-------------|--------------------------------|
| Key Financial Figures | HK\$'000 | HK\$'000 | | HK\$'000 |
| Total Revenue | 334,434 | 279,106 ¹ | 19.8% | 51,103 |
| Property Operating Expenses | (72,903) | (64,654) ¹ | 12.8% | (12,059) |
| Net Property Income | 261,531 | 214,451 ¹ | 22.0% | 39,044 |
| Profit After Tax | 1,003,950 | 596,577 ¹ | 68.3% | 17,611 |
| Distributable Amount | 269,441 | 211,305 ¹ | 27.5% | 40,149 |
| Value of Portfolio | 25,847,000 | 23,500,000 ² | 10.0% | 22,700,000 |
| Other Relevant Figures | | | | |
| Period-end unit price | \$4.48 | \$3.76 ² | 19.1% | \$3.85 |
| Distribution per unit | \$0.1372 | N/A ⁴ | N/A | N/A ⁴ |
| Net Asset Value per unit | \$6.44 | \$6.04 ² | 6.8% | \$5.97 |
| Discount to Net Asset Value | 30.4% | 37.7% ² | N/A | 35.5% |
| Expense Ratio | 21.8% | 23.2% ³ | (6.0)% | 23.6% |

Notes

- 1 FY2006 whole period semi-annualized figure used for comparison. Semi-annualization factor is (0.5 years x 365/222 days).
 - 2 FY2006 Dec 31 figure used for comparison.
 - 3 FY2006 whole period figure used for comparison.
 - 4 There was no distribution for the first half of 2006.
- * No comparison is made to 1st half of FY2007 as there were only 38 operational days in the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

Total Revenue for the first half of 2007 was HK\$334.43 million. Operating Expenses were HK\$72.90 million and Net Property Income was HK\$261.53 million. As the Trust was listed in May 2006, there are no directly comparable year-on-year figures. However, Total Revenue for the 222 operational days last year was HK\$339.52 million. Hence, it is appropriate to use the semi-annualized 2006 revenue of HK\$279.11 million as a base. On that basis, 2007 first half Total Revenue showed a 19.8% growth. Actual Net Property Income for the first half of 2007 was HK\$261.53 million, a 22.0% improvement.

Net Asset Value ("NAV") per unit as at 30 June 2007 was HK\$6.44. This compares with the NAV per unit of HK\$6.04 at the end of 2006. The increase principally

Average Monthly Passing Rents – Office Leases

(HK\$ per sq. ft. of gross rentable area)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2006 | | | | | 31.55 | 31.73 | 33.53 | 35.34 | 35.48 | 35.81 | 35.97 | 36.41 |
| 2007 | 38.44 | 37.95 | 38.64 | 39.09 | 39.08 | 46.45 | 61.52 | | | | | |

As shown in the table above, these factors have enabled the REIT Manager to drive average passing rents in Citibank Plaza from HK\$36.41 per sq. ft. in December 2006 to HK\$46.45 per sq. ft. in June 2007, up 27.6% over the 6 month period, while holding vacancy to 3.2% as at 30 June 2007, broadly the same level as at the end of 2006.

The rental reversion pattern in Citibank Plaza has been strongly positive through the year to date. The spot rental rate is now in excess of HK\$90 per sq. ft. on a gross rentable area basis, which is some HK\$15 per sq. ft. higher than those achieved in December 2006.

62.3% of the leases by floor area that expired in the first half of 2007 were renewed; this compares to 69.3% for the first half of 2006. The lower tenant retention rate is consistent with the changing tenant profile caused by higher rents. 11.3% of the leased floor area is due to expire in the second half of the year. A similar retention rate is expected for the second half expiries.

reflects the increase in the valuation of the Trust's stake in Citibank Plaza to HK\$25.85 billion. Gains from this revaluation which amounted to HK\$1.22 billion are also the predominant reason profit after tax has risen 68%.

Total distributable amount for the period amounted to HK\$269.44 million. There was no distribution for the first half of 2006 while HK\$257.04 million was distributed for the full year 2006. Using, as above, a semi-annualized basis, HK\$211.31 million would represent the comparable figure for 2006. Thus, distributable amount for the first half of 2007 showed a 27.5% increase.

The improved revenue performance has been supported by the continued up-cycle in office rents in Central Hong Kong. Strong demand from the financial services sector and shrinking vacancy are leading to higher rent rates in Central and a growing rental premium enjoyed over decentralized districts.

The overall strength of the market has allowed us to replace tenant departures relatively swiftly as attested to by the overall stability of the occupancy rate in Citibank Plaza throughout the first half. Of the top 5 tenancies by leased floor area, four have expanded their premises in Citibank Plaza since the listing of Champion REIT: coupled with the tenancy expiry profile amongst these large space users stretching into the next decade, Citibank Plaza's tenant quality and profile has been strengthened.

The scheduled rent reviews for a number of major tenancies were concluded in the first half of the year. The new rent rates, which became effective in June 2007, for those leases are significantly higher than the previous passing rents.

Moving from internal to external growth, the REIT Manager concluded a transaction to acquire three floors within Citibank Plaza in January 2007. The terms of the acquisition and the financing thereof - largely by convertible bond - were well received by the market place. The acquisition allowed the Trust to grow its asset and revenue base and the resulting consolidation of ownership under one landlord facilitated the efficient pricing of rental rates within the office complex.

The REIT Manager continues to operate 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.

Outlook

The prospects for the Trust are encouraging. A significant increase in persons employed by the banking and finance industry is predicted, by surveys such as the Hudson Report and the Business Tendency Survey of the HKSAR Census and Statistic Department. Demand for additional office space in Central should remain robust for the foreseeable future. On the supply side, no new Grade-A office developments are scheduled for completion in Central until 2010 at the earliest. With reclaimed land no longer a source of new building sites, it stands to reason that the office leasing reversion cycle in Central will continue to benefit income of the Trust through 2007 and beyond.

As a large proportion of the tenancy renewals and rent reviews for 2007 at Citibank Plaza took place towards the middle of the year, and with the rents in most cases increasing many fold, rent revenue increases will be exceptionally skewed towards the second half of the year as evidenced by the 57% increase in monthly average passing rents of office leases from HK\$39.08 per sq. ft. in May 2007 to HK\$61.52 per sq. ft. in July. In 2006 the REIT's sponsors waived the entire distribution entitlement of their initial holdings while in 2007 this waiver percentage will be reduced to 55% of entitled distributions. The REIT Manager is confident that this planned decline in yield support should not have an adverse effect on the Trust's ability to maintain the past level of distribution per unit.

The REIT Manager continues to assess opportunities for enhancing the Trust's asset, both in terms of provision of utilities for its occupiers and in updating

the appearance of common areas. Furthermore, the Investment Committee continues to study opportunities for disciplined investment in accretive acquisitions.

Financial Review

Financial Structure

Champion REIT has a syndicated bank loan facility of HK\$7,200 million ("Facility") out of which a term loan of HK\$7,000 million was outstanding as at 30 June 2007. The Facility bears interest at a variable rate and is repayable in full on 24 May 2011. In order to hedge against fluctuations in interest rate under the term loan, the Trust 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 arrangements, the interest rate of the term loan of the Facility has been fixed until May 2011.

Champion REIT, through one of its indirectly wholly-owned and controlled entities, issued in 2006 2% guaranteed convertible bonds due 2011 ("Bonds") in an aggregate principal amount of HK\$765 million. The Bonds feature a yield to maturity of 4.15%, a coupon of 2% and are convertible into units of Champion REIT at an adjusted conversion price of HK\$4.55 per unit.

As at 30 June 2007, total borrowings of the Trust (comprising the abovementioned HK\$7,000 million term loan and the principal amount of the Bonds in the sum of HK\$765 million) as a percentage of its gross assets were 28.1%. Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 35%.

Net Assets Attributable To Unitholders

As at 30 June 2007, net assets attributable to unitholders was HK\$17,989.9 million or HK\$6.44 per unit, a 30.4% discount to net asset value per unit based on the closing unit price of HK\$4.48 as at 29 June 2007, the last trading day in the Relevant Period.

Cash Position

As at 30 June 2007, Champion REIT had a HK\$567.1 million cash balance. Taking into consideration the financial resources available to the Trust, Champion REIT has sufficient liquid assets to satisfy its working capital and operating requirements.

Pledge of Assets

As at 30 June 2007, certain properties of Champion REIT with a fair value of HK\$24,672 million together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties were mortgaged or pledged to secure the banking facilities granted to the Trust and certain properties with a fair value of HK\$1,175 million were mortgaged to the Bond Trustee to secure the obligations of the issuer of the Bonds to be discharged under the Bonds.

Rental Stabilization Arrangement

A shortfall had arisen under a rental stabilization arrangement ("Arrangement") in a sale and purchase agreement dated 11 December 2006 ("Agreement") for the acquisition of 3 floors and certain carparking spaces in Citibank Plaza.

In respect of the period from 5 January 2007 to 30 June 2007, the actual New Property Income (as defined in the Agreement) was equivalent to approximately HK\$12,424,000, which was less than the pro-rated stabilization amount for such period of approximately HK\$29,976,000 by approximately HK\$17,552,000 ("Shortfall"). Accordingly, under the Arrangement, a sum equivalent to the Shortfall was paid to the Trust out of the designated escrow account on 3 July 2007.

At the discretion of the REIT Manager, the Shortfall of approximately HK\$17,552,000 and the interest released from the designated escrow account of approximately HK\$1,822,000 in June 2007 has been included in the total distributable amount for FY07 Interim Distribution Period.

DISTRIBUTION

Distributable Amount

The total distributable amount of Champion REIT for the six months ended 30 June 2007 ("FY07 Interim Distribution Period" or "Relevant Period") amounted to HK\$269,441,000.

This amount has been adjusted to eliminate the effects of non-cash finance cost of HK\$157,473,000, equivalent to HK\$0.0564 and HK\$0.0802 per unit before and after the Distribution Waiver (as defined

below) respectively, which have been taken into account in the consolidated income statement.

It is the present policy of the REIT Manager to distribute 100% of Champion REIT's total distributable income plus any additional amounts, at the discretion of REIT Manager, to the unitholders of Champion REIT ("Unitholders").

Interim Distribution

As stipulated in the Distribution Entitlement Waiver Deed ("Distribution Waiver") dated 26 April 2006, each of Top Domain International Limited (a wholly-owned subsidiary of Great Eagle Holdings Limited), Fortune Mega Investments Limited (a wholly-owned subsidiary of Kerry Properties Limited) and Wing Tai Corporation Limited has agreed to waive 55% of its entitlement to receive distributions for the FY07 Interim Distribution Period with respect to all of the units it held as at 24 May 2006, being the date of listing.

After taking into account the Distribution Waiver, the distribution per unit for the Relevant Period is HK\$0.1372, subject to dilution upon (i) issuance of units for settlement of manager's fee in respect of the Relevant Period to the REIT Manager; and (ii) conversion of the convertible bonds guaranteed by Champion REIT upon receipt of conversion notice before the Record Date (as set out below). Further announcement will be made to inform Unitholders of the final distribution per unit for the FY07 Interim Distribution Period.

The distribution per unit of HK\$0.1372 represents an annualized distribution yield of 6.12% based on the closing unit price of HK\$4.48 as at 29 June 2007, being the last trading day in the Relevant Period.

The Annualized DPU for the first half of 2007 is HK\$0.2744 while the annualized equivalent for 2006 was HK\$0.3288. Although it would appear as though there might be a reduction in DPU this year, the REIT Manager believes it to be premature to conclude that DPU could fall for the whole of 2007. It should be borne in mind that rental revenue growth, particularly for office leases, is exceptionally skewed towards the second half of 2007 as highlighted in the Outlook Section. The total rent received, and hence distribution per unit, should accordingly witness an increase in the second half of the year.

The interim distribution will be paid to persons who are registered Unitholders as at the Record Date (as set out below). The payment date will be on Wednesday, 3 October 2007.

Closure of Register of Unitholders

The register of Unitholders will be closed from Monday, 10 September 2007 ("Record Date") to Thursday, 13 September 2007, both days inclusive, during which no transfer of units will be effected.

In order to become registered Unitholders on the Record Date and qualify for the distribution, all completed transfers (accompanied by the relevant unit certificates) must be lodged with Champion REIT's unit registrar, Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 7 September 2007.

EMPLOYEES

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

SUMMARY OF REAL ESTATE SALES AND PURCHASES

During the Relevant Period, the Trust completed an acquisition on 5 January 2007 of the whole of the 34th, 36th and 37th Floors of Citibank Tower and private carparking spaces nos. 39, 40 and 41 on the second basement of Citibank Plaza ("Acquisition") pursuant to a sale and purchase agreement entered into on 11 December 2006 with Kerry Properties Limited (as the guarantor) and its wholly owned subsidiary (as the vendor) ("Vendor").

The purchase consideration was approximately HK\$994,600,000, of which HK\$259,488,000 was satisfied by way of issue of new units of Champion REIT to the Vendor's nominated person upon completion, and the balance of HK\$735,112,000 was satisfied in cash at completion, which was funded by the proceeds from the issue of the Bonds.

NEW UNITS ISSUED

During the Relevant Period, 50,880,000 new units of Champion REIT were issued on 5 January 2007 to the Vendor's nominated person at an agreed price of HK\$5.10 per unit as partial payment of the consideration for the Acquisition upon completion.

REPURCHASE, SALE OR REDEMPTION OF UNITS

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

PUBLIC FLOAT

As far as the REIT Manager is aware, more than 25% of the issued and outstanding units of Champion REIT were held in public hands as of 30 June 2007.

CORPORATE GOVERNANCE

The REIT Manager has adopted compliance procedures and applies them to ensure the sound management and operation of Champion REIT. The current corporate governance framework emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures. The REIT Manager has adopted a compliance manual ("Compliance Manual") for use in relation to the management and operation of Champion REIT, which sets out key processes, systems and legislation.

During the Relevant Period, the REIT Manager has complied with the provisions of the Compliance Manual.

REVIEW OF RESULTS

The unaudited interim results for the Relevant Period have been reviewed by the Disclosures Committee and Audit Committee of the REIT Manager and agreed by the Trust's external auditors.

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 ("REIT Code"):-

Connected Party Transactions with the Great Eagle Connected Persons Group and the SFK Connected Persons Group

The following tables set forth information on the connected party transactions between Champion REIT and Great Eagle Holdings Limited ("Great Eagle") (together with its subsidiaries and associated companies (collectively, "Great Eagle Connected Persons Group")), being its significant holder (as defined in the REIT Code); and Sun Fook Kong Holdings Limited ("SFK") (together with its subsidiaries and associated companies (collectively, "SFK Connected Persons Group")), being a corporation controlled by certain family members of the late Mr. Lo Ying Shek, the former Chairman of Great Eagle, and their related trusts and companies) during the Relevant Period:-

Connected Party Transaction – Leasing/Licensing Transactions

| Name of Connected Party | Relationship with Champion REIT | Nature of Connected Transaction | Leasing/licensing income for the Relevant Period | Rental deposit received as at 30 Jun 2007 |
|--|--------------------------------------|---------------------------------|--|---|
| | | | HK\$ | HK\$ |
| Strong Dynamic Limited | Subsidiary of Great Eagle | Leasing transaction | 3,006,000 | Note 1 |
| The Great Eagle Properties Management Company, Limited | Subsidiary of Great Eagle | Leasing transaction | 520,000 | 225,000 |
| Main St. Cafe Hong Kong Company Limited | Subsidiary of Great Eagle | Leasing transaction | 117,000 | Note 2 |
| China Mobile Peoples Telephones Company Limited | Associate of a Director ³ | Licence fee | 101,000 | 34,000 |
| Eagle Asset Management (CP) Limited | Subsidiary of Great Eagle | Car parking fee | 76,000 | N/A |
| Total | | | 3,820,000 | 259,000 |

Notes

1 By a bank guarantee of approximately HK\$2,112,000.

2 By a bank guarantee of approximately HK\$325,000.

3 The Director is Dr. Lo Ka Shui, who is a director (and the Chairman) of both the REIT Manager and Great Eagle. Dr. Lo is also an independent non-executive director of China Mobile Limited, the holding company of China Mobile Peoples Telephones Company Limited.

Connected Party Transactions – Property Management Transactions (Incurred from Building Accounts)

| Name of Connected Party | Relationship with Champion REIT | Nature of Connected Transaction | Expenses for the Relevant Period |
|---|---------------------------------|---------------------------------|----------------------------------|
| | | | HK\$ |
| The Great Eagle Engineering Company Limited | Subsidiary of Great Eagle | Repair and maintenance services | 8,001,000 |
| Longworth Management Limited ¹ | Subsidiary of Great Eagle | Remuneration of DMC Manager | 5,687,000 |
| G E Advertising Agency Limited | Subsidiary of Great Eagle | Advertising expenses | 13,000 |
| The Great Eagle Insurance Agency Limited | Subsidiary of Great Eagle | Insurance fee | 710,000 |
| Sun Fook Kong Housing Services Limited | Subsidiary of SFK | Cleaning services | 1,880,000 |
| Total | | | 16,291,000 |

Note

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

Connected Party Transactions – Property Management Transactions (Other than incurred from Building Accounts as mentioned above)

| Name of Connected Party | Relationship with Champion REIT | Nature of Connected Transaction | Income/ Expenses for the Relevant Period | Deposits paid as at 30 Jun 2007 |
|---|---------------------------------|---------------------------------|--|---------------------------------|
| | | | HK\$ | HK\$ |
| Strong Dynamic Limited | Subsidiary of Great Eagle | Building management fee income | 1,667,000 | N/A |
| The Great Eagle Properties Management Company, Limited ¹ | Subsidiary of Great Eagle | Building management fee income | 69,000 | N/A |
| Main St. Cafe Hong Kong Company Limited | Subsidiary of Great Eagle | Building management fee income | 18,000 | N/A |
| The Great Eagle Properties Management Company, Limited ¹ | Subsidiary of Great Eagle | Building management fee paid | 44,150,000 | 14,387,000 |
| Eagle Property Management (CP) Limited | Subsidiary of Great Eagle | Leasing and marketing services | 14,193,000 | N/A |
| Toptech Co. Limited | Subsidiary of Great Eagle | Repair and maintenance services | 592,000 | N/A |
| The Great Eagle Engineering Company Limited | Subsidiary of Great Eagle | Repair and maintenance services | 978,000 | N/A |
| The Great Eagle Properties Management Company, Limited ¹ | Subsidiary of Great Eagle | Repair and maintenance services | 5,000 | N/A |
| The Great Eagle Insurance Agency Limited | Subsidiary of Great Eagle | Insurance fee paid | 757,000 | N/A |
| Sun Fook Kong Housing Services Limited | Subsidiary of SFK | Repair and maintenance services | 1,000 | N/A |
| Total | | | 62,430,000 | 14,387,000 |

Note

¹ The Great Eagle Properties Management Company, Limited is the DMC Sub-manager for Citibank Plaza appointed by the DMC Manager.

During the Relevant Period, an acquisition fee of HK\$9,946,000 and the manager's fee of HK\$31,384,000 had been incurred for services rendered by Eagle Asset Management (CP) Limited (a subsidiary of Great Eagle) in its capacity as the manager of Champion REIT.

Connected Party Transactions with KPL Connected Persons

During the Relevant Period, the Trust completed an Acquisition on 5 January 2007 of 3 floors and 3 carparking spaces in Citibank Plaza pursuant to a sale and purchase agreement entered into on 11 December 2006 with Kerry Properties Limited ("KPL") and its wholly owned subsidiary as the Vendor. (For details, please refer to the section under the Summary of Real Estate Sales and Purchases).

As Mr. Ang Keng Lam was both a director of the REIT Manager and a director of each of KPL and the Vendor – which being "associates" of Mr. Ang Keng Lam, KPL and the Vendor are connected persons of Champion REIT. The Acquisition constituted a connected party transaction under paragraph 8.11 of the REIT Code. The Acquisition was approved by Unitholders at an extraordinary general meeting held on 3 January 2007.

During the Relevant Period, an aggregate of HK\$675,112,000 in cash was paid, and 50,880,000 new units of Champion REIT were issued (at an agreed price of HK\$5.10 per unit), to the Vendor and its nominated person as the remaining balance of the purchase consideration made by Champion REIT for the Acquisition upon completion.

Connected Party Transactions with the Trustee Connected Persons Group and the HSBC Group

The following tables set 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 (collectively, "Trustee Connected Persons")) within the meaning given in the REIT Code and the HSBC Group¹ during the Relevant Period:-

Connected Party Transactions – Leasing/Licensing Transactions and Ordinary Banking and Financial Services

| Name of Connected Party | Relationship with Champion REIT | Nature of Connected Transaction | Income/Expense for the Relevant Period | Rental deposit received as at 30/06/2007 |
|--|---------------------------------|---|--|--|
| | | | HK\$ | HK\$ |
| HSBC Group ¹ | Trustee Connected Persons | Leasing transaction | 7,859,000 | 3,541,000 |
| HSBC Group ¹ | Trustee Connected Persons | Building management fee income | 1,495,000 | N/A |
| HSBC Group ¹ | Trustee Connected Persons | Interest income from ordinary bank services | 14,330,000 | N/A |
| HSBC Institutional Trust Services (Asia) Limited | Trustee | Trustee fee | 2,410,000 | N/A |
| Hang Seng Bank Limited ² | Trustee Connected Persons | Loan interest | 163,863,000 | N/A |
| Total | | | 189,957,000 | 3,541,000 |

Notes

1 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.

2 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 24 May 2006.

HOLDINGS OF CONNECTED PERSONS IN THE UNITS OF CHAMPION REIT

As at 30 June 2007, 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 ¹ | 48.31 |
| Great Eagle Holdings Limited | 1,349,495,877 ¹ | 48.31 |
| HSBC International Trustee Limited | 1,349,495,877 ¹ | 48.31 |
| Jolly Trend Limited | 1,349,495,877 ¹ | 48.31 |
| The Great Eagle Company, Limited | 1,349,495,877 ¹ | 48.31 |
| Top Domain International Limited | 1,349,495,877 ¹ | 48.31 |
| Lo Ka Shui | 1,349,495,877 ¹ | 48.31 |
| Lo Ying Sui, Archie | 1,349,495,877 ¹ | 48.31 |
| Fortune Mega Investments Limited | 165,676,151 ² | 5.93 |
| Julian Holdings Limited | 165,676,151 ² | 5.93 |
| Kerry Group Limited | 165,676,151 ² | 5.93 |
| Kerry Properties Limited | 165,676,151 ² | 5.93 |
| Kerry Properties (Hong Kong) Limited | 165,676,151 ² | 5.93 |
| Kerry Holdings Limited | 165,676,151 ² | 5.93 |
| Spring Capital Holdings Limited | 165,676,151 ² | 5.93 |
| Renowned Development Limited | 44,198,781 ³ | 1.58 |
| Wing Tai (Cheng) Holdings Limited | 44,198,781 ³ | 1.58 |
| Wing Tai Corporation Limited | 44,198,781 ³ | 1.58 |
| Cheng Wai Chee, Christopher | 44,198,781 ³ | 1.58 |
| So Yiu Wah, Eric | 290,000 ⁴ | 0.01 |
| Lee Ching Ming, Adrian | 64,000 ⁵ | 0.002 |
| Chu Shik Pui | 8,000 ⁶ | 0.0003 |
| Brett Butcher | 2,500 ⁷ | 0.00009 |
| Leung Tat Kai, Henry | 2,000 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 in which the other 7 unitholders as named in this Note 1 were deemed to be interested were the same parcel of units. The said other 7 unitholders were deemed to be interested in the same parcel of units because each of Dr. Lo Ka Shui, Dr. Lo Ying Sui, Archie and HSBC International Trustee Limited ("HITL") was deemed to have controlling interests in Great Eagle Holdings Limited ("Great Eagle"), and 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 and Dr. Lo Ying Sui, Archie, directors of Great Eagle, were beneficiaries. HITL held approximately 32.7% interest in Great Eagle's shares for the discretionary trust. Together with interests held for other trusts of which it was the trustee, HITL's total interest in Great Eagle's shares was more than 33¹/₃%.
- 2 The 165,676,151 units, which were directly held by Fortune Mega Investments Limited ("Fortune Mega"), and the 165,676,151 units in which Kerry Group Limited ("KGL"), Kerry Holdings Limited ("KHL"), Kerry Properties Limited ("KPL"), Kerry Properties (Hong Kong) Limited ("KP(HK)"), Julian Holdings Limited ("JHL") and Spring Capital Holdings Limited ("SCHL") were deemed to be interested, were the same parcel of units. KGL, KHL, KPL, KP(HK), JHL and SCHL were deemed to be interested in the same parcel of units by virtue of their controlling interests in Fortune Mega. As at 31 December 2006, Fortune Mega was deemed to be interested in 165,676,151 units out of which 114,796,151 units were issued units and 50,880,000 units were to be issued to Fortune Mega (as a nominee of KPL) upon completion of a conditional sale and purchase agreement dated 11 December 2006 as part of the consideration payable by Champion REIT to KPL for acquisition of the properties under the said agreement. The 50,880,000 units were issued on 5 January 2007 upon the completion.
- 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 REIT 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. So Yiu Wah, Eric was a connected person by virtue of his being a senior executive of Great Eagle, a significant holder.
- 5 Mr. Lee Ching Ming, Adrian was a connected person by virtue of his being a senior executive of Great Eagle.
- 6 Mr. Chu Shik Pui was a connected person by virtue of his being a senior executive of Great Eagle.
- 7 Mr. Brett Butcher was a connected person by virtue of his being a senior executive of Great Eagle.
- 8 Mr. Leung Tat Kai, Henry was a connected person by virtue of his being a senior executive of Great Eagle.
- 9 Mr. Chan Ki Chun, who held 75,000 units as at 31 December 2006 and did not hold any units as at 30 June 2007, 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 the late Mr. Lo Ying Shek, the former Chairman of Great Eagle, and their related trusts and companies.

So far as the REIT Manager is aware there was no change in the number of units held by the connected persons named in Notes 1 to 8 above during the period from 31 December 2006 to 30 June 2007.

Save as disclosed above, none of the REIT Manager, the directors and the chief executive of the REIT Manager was interested (or deemed to be interested) in units or in the Bonds which are convertible into units, or held any short position in units or in the Bonds and the REIT Manager is not aware of any connected persons of Champion REIT who were interested (or deemed to be interested) in units or in the Bonds as at 30 June 2007.

INTERESTS IN THE UNITS OF CHAMPION REIT

As at 30 June 2007, the following persons had interests or short positions in the units which were required to be disclosed to the REIT Manager and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which the Trust Deed constituting Champion REIT ("Trust Deed"), subject to certain exceptions, deems to apply to the directors and chief executive of the REIT Manager, the REIT Manager and each Unitholder and all persons claiming through or under him:

| Name | Number of Units Held | Percentage of Unit Holdings |
|---|----------------------------|-----------------------------|
| Directors' interests | | |
| Lo Ka Shui | 1,349,495,877 ¹ | 48.31 |
| Cheng Wai Chee, Christopher | 44,198,781 ³ | 1.58 |
| 5% or more interests | | |
| Alfida Limited | 1,349,495,877 ¹ | 48.31 |
| Great Eagle Holdings Limited | 1,349,495,877 ¹ | 48.31 |
| HSBC International Trustee Limited | 1,349,495,877 ¹ | 48.31 |
| Jolly Trend Limited | 1,349,495,877 ¹ | 48.31 |
| The Great Eagle Company, Limited | 1,349,495,877 ¹ | 48.31 |
| Top Domain International Limited | 1,349,495,877 ¹ | 48.31 |
| Lo Ka Shui | 1,349,495,877 ¹ | 48.31 |
| Lo Ying Sui, Archie | 1,349,495,877 ¹ | 48.31 |
| Government of Singapore Investment Corporation Pte Ltd. | 223,732,000 | 8.01 |
| Fortune Mega Investments Limited | 165,676,151 ² | 5.93 |
| Julian Holdings Limited | 165,676,151 ² | 5.93 |
| Kerry Group Limited | 165,676,151 ² | 5.93 |
| Kerry Properties Limited | 165,676,151 ² | 5.93 |
| Kerry Properties (Hong Kong) Limited | 165,676,151 ² | 5.93 |
| Kerry Holdings Limited | 165,676,151 ² | 5.93 |
| Spring Capital Holdings Limited | 165,676,151 ² | 5.93 |

Notes

- 1 Please refer to note 1 in the previous section headed "Holdings of Connected Persons in the Units of Champion REIT".
- 2 Please refer to note 2 in the previous section headed "Holdings of Connected Persons in the Units of Champion REIT".
- 3 Please refer to note 3 in the previous section headed "Holdings of Connected Persons in the Units of Champion REIT".
- 4 The interests in units disclosed in this section represent long positions in units of Champion REIT.

Save as disclosed above, so far as is known to the directors or chief executive of the REIT Manager:-

- (i) no person (other than a director) is interested (or deemed to be interested) in units or in the Bonds which are convertible into units, or holds any short positions in units or in the Bonds which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO;
- (ii) none of the directors or chief executives of the REIT Manager had any interests and short positions in the units, underlying units and the Bonds of Champion REIT or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO)

which the Trust Deed, subject to certain exceptions, deems to apply to the directors and chief executive of the REIT Manager, the REIT Manager and each unitholder and all persons claiming through or under him.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 12 to 25 which comprises the condensed consolidated balance sheet of Champion Real Estate Investment Trust (“Champion REIT”) as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in net assets attributable to unitholders and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

8 August 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

| | Notes | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|--|-------|---|--|
| | | (unaudited) | (unaudited) |
| Rental income | 4 | 290,899 | 43,298 |
| Building management fee income | | 43,352 | 7,735 |
| Rental related income | | 183 | 70 |
| Total revenue | | 334,434 | 51,103 |
| Property operating expenses | 5 | (72,903) | (12,059) |
| Net property income | | 261,531 | 39,044 |
| Interest income | | 12,442 | 4,088 |
| Manager's fee | 6 | (31,384) | – |
| Overprovision of listing expenses in prior period | | 1,975 | – |
| Listing expenses | | – | (14,635) |
| Trust and other expenses | | (5,303) | (1,099) |
| Increase in fair value of investment properties | | 1,224,941 | 30,000 |
| Change in fair value of derivative component of convertible bonds | | (47,965) | – |
| Change in fair value of rental stabilisation arrangement | | (931) | – |
| Finance costs | 7 | (188,101) | (33,291) |
| Profit before tax and distribution to unitholders | 8 | 1,227,205 | 24,107 |
| Income taxes | 9 | (223,255) | (6,496) |
| Profit for the period, before distribution to unitholders | | 1,003,950 | 17,611 |
| Distribution to unitholders, accrued | 11 | (269,441) | (40,149) |
| Profit (loss) for the period, after distribution to unitholders | | 734,509 | (22,538) |
| Basic earnings per unit | 12 | HK\$0.36 | HK\$0.01 |
| Diluted earnings per unit | 12 | HK\$0.36 | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

| | Notes | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|--|-------|----------------------------|----------------------------|
| | | (unaudited) | (audited) |
| Non-current assets | | | |
| Investment properties | 13 | 25,847,000 | 23,500,000 |
| Derivative financial instruments | 14 | 1,114,143 | 1,042,052 |
| Rental stabilisation arrangement | 15 | 75,335 | – |
| Deposit for acquisition of investment properties | | – | 60,000 |
| Total non-current assets | | 27,036,478 | 24,602,052 |
| Current assets | | | |
| Trade and other receivables | 16 | 52,314 | 30,157 |
| Bank balances and cash | | 567,062 | 1,241,860 |
| Total current assets | | 619,376 | 1,272,017 |
| Total assets | | 27,655,854 | 25,874,069 |
| Current liabilities | | | |
| Trade and other payables | 17 | 947,097 | 922,372 |
| Deposits received | | 128,313 | 92,121 |
| Tax liabilities | | 149,103 | 154,890 |
| Distribution payable | | 269,460 | 257,039 |
| Total current liabilities | | 1,493,973 | 1,426,422 |
| Non-current liabilities, excluding net assets attributable to unitholders | | | |
| Secured term loan | 18 | 6,972,489 | 6,968,587 |
| Convertible bonds | 19 | 820,556 | 760,328 |
| Deferred tax liabilities | 20 | 378,904 | 155,888 |
| Total non-current liabilities, excluding net assets attributable to unitholders | | 8,171,949 | 7,884,803 |
| Total liabilities, excluding net assets attributable to unitholders | | 9,665,922 | 9,311,225 |
| Net assets attributable to unitholders | | 17,989,932 | 16,562,844 |
| Number of units in issue ('000) | 21 | 2,793,591 | 2,742,711 |
| Net asset value per unit | 22 | HK\$6.44 | HK\$6.04 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2007

| | Issued units HK\$'000 | Hedging reserve HK\$'000 | Others HK\$'000 | Profit less distribution HK\$'000 | Total HK\$'000 |
|--|--------------------------|--------------------------------|--------------------|---|-------------------|
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Issued units on 24 May 2006 | 13,987,824 | – | – | – | 13,987,824 |
| Unit issue costs | (193,508) | – | – | – | (193,508) |
| Net adjustment to hedging reserve | – | 67,218 | – | – | 67,218 |
| Excess of fair value of Property Interests acquired over acquisition cost | – | – | 2,526,143 | – | 2,526,143 |
| Profit for the period, before distribution to unitholders | – | – | – | 17,611 | 17,611 |
| Distribution payable | – | – | – | (40,149) | (40,149) |
| Net assets attributable to unitholders as at 30 June 2006 | 13,794,316 | 67,218 | 2,526,143 | (22,538) | 16,365,139 |
| At 1 January 2007 | 13,793,859 | (225,818) | 2,526,143 | 468,660 | 16,562,844 |
| Units issued | 187,747 | – | – | – | 187,747 |
| Net adjustment to hedging reserve | – | 225,051 | – | – | 225,051 |
| Excess of fair value of investment properties acquired over acquisition cost | – | – | 279,781 | – | 279,781 |
| Profit for the period, before distribution to unitholders | – | – | – | 1,003,950 | 1,003,950 |
| Distribution payable | – | – | – | (269,441) | (269,441) |
| Net assets attributable to unitholders as at 30 June 2007 | 13,981,606 | (767) | 2,805,924 | 1,203,169 | 17,989,932 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|--|---|--|
| | (unaudited) | (unaudited) |
| Operating activities | | |
| Profit before tax and distribution to unitholders | 1,227,205 | 24,107 |
| Adjustments for: | | |
| Increase in fair value of investment properties | (1,224,941) | (30,000) |
| Change in fair value of derivative component of convertible bonds | 47,965 | – |
| Change in fair value of rental stabilisation arrangement | 931 | – |
| Overprovision of listing expenses in prior period | (1,975) | – |
| Listing expenses | – | 14,635 |
| Interest income | (12,442) | (4,088) |
| Finance costs | 188,101 | 33,291 |
| Operating cash flow before movements in working capital | 224,844 | 37,945 |
| Increase in trade and other receivables | (3,728) | (3,280) |
| Increase (decrease) in trade and other payables | 22,866 | (5,167) |
| Increase in deposits received | 36,192 | 7,138 |
| Cash generated from operations | 280,174 | 36,636 |
| Interest paid | (15,142) | – |
| Hong Kong Profits Tax paid | (6,026) | – |
| Net cash from operating activities | 259,006 | 36,636 |
| Investing activities | | |
| Interest received | 11,565 | 3,954 |
| Cash received from rental stabilisation arrangement | 1,822 | – |
| Acquisition of investment properties | (690,171) | – |
| Distribution paid | (257,020) | – |
| Acquisition of property interests | – | (11,350,205) |
| Net cash used in investing activities | (933,804) | (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 instrument for interest rate swap | – | (1,417,000) |
| Issue costs and listing expenses paid | – | (180,847) |
| Net cash from financing activities | – | 11,660,674 |
| Net (decrease) increase in cash and cash equivalents | (674,798) | 351,059 |
| Cash and cash equivalents at beginning of the period | 1,241,860 | – |
| Cash and cash equivalents at end of period, represented by bank balances and cash | 567,062 | 351,059 |

NOTES TO INTERIM FINANCIAL REPORT

For the six months ended 30 June 2007

(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 24 May 2006 ("Listing Date"). Champion REIT is governed by the deed of trust dated 26 April 2006, as amended by a first supplemental deed dated 5 December 2006 ("Trust Deed"), entered into between Eagle Asset Management (CP) Limited (the "REIT Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"), and the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong.

The principal activity of Champion REIT and its controlled entities (the "Group") is to own and invest in income-producing commercial 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) Principal Accounting Policies

Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules), Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants, and the Code.

The condensed consolidated financial statements for the current period cover the six months period ended 30 June 2007. The corresponding comparative amounts shown for the condensed consolidated income statement, condensed consolidated statement of changes in net assets attributable to unitholders, condensed consolidated cash flow statement and related notes cover the period from 26 April 2006, the date of establishment of Champion REIT, to 30 June 2006 and therefore may not be comparable with the amounts shown for the current period.

Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1 January 2007.

| | |
|--------------------|--|
| HKAS 1 (Amendment) | Capital Disclosures ¹ |
| HKFRS 7 | Financial Instruments: Disclosures ¹ |
| HK(IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ² |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 ³ |
| HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives ⁴ |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment ⁵ |

¹Effective for annual periods beginning on or after 1 January 2007

²Effective for annual periods beginning on or after 1 March 2006

³Effective for annual periods beginning on or after 1 May 2006

⁴Effective for annual periods beginning on or after 1 June 2006

⁵Effective for annual periods beginning on or after 1 November 2006

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The REIT Manager anticipates that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

(3) 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 investing in commercial properties. Accordingly, no segment information by business and geographical segment is presented.

(4) Rental Income

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|-----------------|--|---|
| | (unaudited) | (unaudited) |
| Rental income | 284,867 | 42,086 |
| Car park income | 6,032 | 1,212 |
| | 290,899 | 43,298 |

(5) Property Operating Expenses

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|---|--|---|
| | (unaudited) | (unaudited) |
| Building management fees | 44,150 | 8,444 |
| Car park operating expenses | 810 | 131 |
| Government rent and rates | 9,570 | 1,765 |
| Legal cost and stamp duty | 1,182 | 87 |
| Property and lease management service fee | 8,651 | 1,114 |
| Property miscellaneous expenses | 655 | 101 |
| Rental commission | 7,198 | 414 |
| Repairs and maintenance | 687 | 3 |
| | 72,903 | 12,059 |

(6) Manager's Fee

Pursuant to the Trust Deed, the REIT Manager is entitled for a manager's fee of 12% of the net property income of Champion REIT which amounted approximately HK\$31,384,000 in current period as Champion REIT achieved the required threshold of net property income of HK\$200 million for the six months ended 30 June 2007. The manager's fee will be paid in the form of units in Champion REIT.

At 30 June 2006, no liability in respect of the manager's fee had been recognised since the projected net property income for the period from the Listing Date to 31 December 2006 did not expect to reach the required threshold of HK\$270 million.

(7) Finance Costs

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|--|--|---|
| | (unaudited) | (unaudited) |
| Finance costs represent: | | |
| Interest expense on bank borrowings wholly repayable within five years | 167,881 | 33,291 |
| Interest expense on convertible bonds wholly repayable within five years | 19,871 | – |
| Other borrowing costs | 349 | – |
| | 188,101 | 33,291 |

(8) Profit Before Tax and Distribution to Unitholders

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|---|--|---|
| | (unaudited) | (unaudited) |
| Profit before tax and distribution to unitholders has been arrived at after charging: | | |
| Audit fee | 640 | 350 |
| Trustee's fee | 2,410 | 447 |
| Principal valuer's fee | 35 | 30 |
| Other professional fee and charges | 809 | 272 |

(9) Income Taxes

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|------------------------|--|---|
| | (unaudited) | (unaudited) |
| Hong Kong Profits Tax: | | |
| Current tax | 239 | 62 |
| Deferred tax | 223,016 | 6,434 |
| | 223,255 | 6,496 |

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

(10) Total Distributable Income

Total distributable income is the profit for the period, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant period. The Adjustments to arrive at total distributable income for the period is set out below:

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|---|--|---|
| | (unaudited) | (unaudited) |
| Profit for the period, before distribution to unitholders | 1,003,950 | 17,611 |
| Adjustments: | | |
| Manager's fees paid in units | 31,384 | – |
| Overprovision of listing expenses in prior period | (1,975) | – |
| Listing expenses | – | 14,635 |
| Increase in fair value of investment properties | (1,224,941) | (30,000) |
| Change in fair value of derivative component of convertible bonds | 47,965 | – |
| Change in fair value of rental stabilisation arrangement | 931 | – |
| Finance costs | 169,737 | 31,469 |
| Deferred tax | 223,016 | 6,434 |
| Total distributable income | 250,067 | 40,149 |

(11) Distribution Statement

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|---|---|--|
| | (unaudited) | (unaudited) |
| Total distributable income | 250,067 | 40,149 |
| Distributable amount to be paid to unitholders for the period | | |
| – 100% of total distributable income ^(b) | 250,067 | N/A |
| – Additional amount at the discretion of REIT Manager ^(c) | 19,374 | – |
| | 269,441 | N/A |
| Distribution per unit | | |
| – Before taking into account the effect of the Distribution Waiver ^(d) | HK\$0.0964 | N/A |
| – After taking into account the effect of the Distribution Waiver ^(e) | HK\$0.1372 | N/A |

Notes:

- (a) It is the policy of the REIT Manager to distribute 100% of total distributable income plus an additional amount (see note (c) below) as the distributable amount for the six months ended 30 June 2007 ("FY07 Interim Distribution Period" or "Relevant Period"). The distribution is expected to be paid out to unitholders on 3 October 2007.
- (b) Pursuant to the Trust Deed, Champion REIT's distribution after the listing date related to the period from 24 May 2006 to 31 December 2006 ("FY06 Distribution Period") and was the only distribution to be made for the financial period of 2006. Accordingly, no distributable amount is presented in last period.
- (c) Pursuant to the rental stabilisation arrangement (the "Arrangement") as stipulated in the sale and purchase agreement dated 11 December 2006 (the "Agreement") in relation to the acquisition of 3 floors and certain carparking spaces in Citibank Plaza, Elegant Wealth Limited (the "Purchaser"), an entity indirectly wholly-owned and controlled by Champion REIT was paid, out of the designated escrow account, a sum equivalent to the Shortfall (as defined in the Arrangement) on 3 July 2007. At the discretion of REIT Manager, the Shortfall of approximately HK\$17,552,000 and interest earned from the designated escrow account of approximately HK\$1,822,000 had been included in the distributable amount for FY07 Interim Distribution Period.
- (d) Distribution per unit, before taking into account the effect of the Distribution Waiver (as defined in note (e) below), is calculated by dividing the distributable amount of HK\$269,441,000 by the number of units in issue at the close of business on the record date for the purpose of determining the unitholders of record entitled to receive distribution in respect of FY07 Interim Distribution Period ("Record Date"). The number of units in issue at the close of business on the Record Date would be 2,793,590,561 units plus additional units that would be issued for settlement of manager's fee in respect of the Relevant Period to the REIT Manager and any conversion of convertible bonds guaranteed by Champion REIT upon the receipt of conversion notice before the Record Date (collectively "Additional Units").
- (e) Pursuant to the Distribution Entitlement Waiver Deed dated 26 April 2006, each of Top Domain International Limited, a wholly-owned subsidiary of Great Eagle Holdings Limited, Fortune Mega Investments Limited, a wholly-owned subsidiary of Kerry Properties Limited and Wing Tai Corporation Limited has agreed to waive 55% and 100% of its entitlement to receive distributions for FY07 Interim Distribution Period and FY06 Distribution Period respectively with respect to all of the units it holds as of the Listing Date (the "Distribution Waiver"). After taking into account of the 1,349,495,877 units held by Great Eagle Holdings Limited, 114,796,151 units held by Kerry Properties Limited and 44,198,781 units held by Wing Tai Corporation Limited on Listing Date, the number of units entitled for distribution for the FY07 Interim Distribution Period should be 1,963,920,616 units plus Additional Units.
- (f) Further announcement will be made to inform unitholders of the final distribution per unit for FY07 Interim Distribution Period.

(12) Basic and Diluted Earnings Per Unit

| | 1 Jan 2007 – 30 Jun 2007 HK\$'000 | 26 Apr 2006 – 30 Jun 2006 HK\$'000 |
|--|--|---|
| | (unaudited) | (unaudited) |
| Earnings | | |
| Profit for the period, before distribution to unitholders for the purpose of basic and diluted earnings per unit | 1,003,950 | 17,611 |
| Number of units | | |
| Weighted average number of units for the purpose of basic earnings per unit | 2,792,192,759 | 2,742,710,561 |
| Effect of dilutive potential units: | | |
| Units to be issued in respect of manager's fee | 3,607,356 | – |
| Weighted average number of units for the purpose of diluted earnings per unit | 2,795,800,115 | 2,742,710,561 |
| Basic earnings per unit | HK\$0.36 | HK\$0.01 |
| Diluted earnings per unit | HK\$0.36 | N/A |

The computation of diluted earnings per unit does not assume the conversion of outstanding convertible bonds since their exercise would result in an increase in earnings per unit.

(13) Investment Properties

| | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|--|------------------------------------|------------------------------------|
| | (unaudited) | (audited) |
| FAIR VALUE | | |
| At the beginning of the period | 23,500,000 | – |
| Acquired upon listing | – | 22,670,000 |
| Additions during the period | 1,122,059 | 2,632 |
| Increase in fair value during the period | 1,224,941 | 827,368 |
| At the end of the period | 25,847,000 | 23,500,000 |

On 5 January 2007, the Group had completed an acquisition of the whole of the 34th, 36th and 37th Floors of Citibank Tower and 3 carparking spaces on the second basement of Citibank Plaza from Kerry Properties Limited, a connected person within the meaning of the Code, for an aggregate consideration of HK\$922,859,200 comprising payment in cash of HK\$735,112,000 and the issuance of 50,880,000 units which have fair value of HK\$187,747,200 based on the unit price of HK\$3.69 at the date of acquisition. Transaction costs for the acquisition of the investment properties, including an amount of HK\$9,946,000 paid to the REIT Manager as acquisition fee, amounted to HK\$15,059,000.

(13) Investment Properties (continued)

The fair value of the investment properties acquired, based on independent valuation performed by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected to the Group, was HK\$1,107,000,000. The consideration and fair value of the investment properties together with the rental stabilisation arrangement (as described in note 15 below) acquired amounting to HK\$922,859,000 and HK\$1,202,640,000 respectively, resulted in an excess of fair value of investment properties and rental stabilisation arrangement acquired over the acquisition cost of HK\$279,781,000. The difference has been included in the changes in net assets attributable to unitholders.

On 30 June 2007, 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 arrived by using the basis of capitalization of the net rental income and 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.

Certain investment properties of the Group with a fair value of HK\$24,672,000,000 (31.12.2006: HK\$23,500,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from these properties have been pledged to secure banking facilities granted to the Group and certain investment properties of the Group with a fair value of HK\$1,175,000,000 (31.12.2006: nil) have been mortgaged to the Bond Trustee to secure the obligations of the CB Issuer (as defined in note 19) under the convertible bonds.

(14) Derivative Financial Instruments

| | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|---------------------------------------|----------------------------|----------------------------|
| | (unaudited) | (audited) |
| Cash flow hedge - interest rate swaps | 1,114,143 | 1,042,052 |

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 REIT 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 | 24 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.

(15) Rental Stabilisation Arrangement

Pursuant to the rental stabilisation arrangement (the "Arrangement") in relation to the acquisition of 3 floors and 3 carparking spaces in Citibank Plaza, Kerry Properties Limited ("Kerry") had undertaken that during the five years commencing from 5 January 2007 (the "Full Rental Stabilisation Period"), the New Property Income (as defined in the Agreement) for each 6-month period ending 30 June and 31 December during the Full Rental Stabilisation Period shall be no less than HK\$30,992,000. The total amount of shortfall receivable from Kerry under the Arrangement is subject to a maximum of HK\$95,222,500 for the Full Rental Stabilisation Period ("Maximum Rental Stabilisation Amount"). On 5 January 2007, Kerry had paid an amount equal to the Maximum Rental Stabilisation Amount into a designated escrow account. During the period ended 30 June 2007, the Group is entitled to a release of interest and shortfall from the escrow account of HK\$1,822,000 and HK\$17,552,000 respectively.

The Arrangement is accounted for as financial derivative and measured at fair value at the balance sheet date of HK\$75,335,000. The fair value is determined based on the Black-Scholes model and discounted cash flow model.

(16) Trade and Other Receivables

| | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|---|----------------------------|----------------------------|
| | (unaudited) | (audited) |
| Trade receivables | 167 | 219 |
| Deferred rent receivables | 17,418 | 14,696 |
| Deposits, prepayments and other receivables | 34,729 | 15,242 |
| | 52,314 | 30,157 |

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:

| | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|--------------|----------------------------|----------------------------|
| | (unaudited) | (audited) |
| 0 – 3 months | 167 | 219 |

The REIT Manager considers that the carrying amounts of trade and other receivables approximate their fair values.

(17) Trade and Other Payables

| | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|----------------------------|--|--|
| | (unaudited) | (audited) |
| Trade payables | 8,598 | 12,535 |
| Rental received in advance | 12,989 | 12,114 |
| Other payables | 75,385 | 47,598 |
| Accrued stamp duty | 850,125 | 850,125 |
| | 947,097 | 922,372 |

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 which Champion REIT acquired the Property Interests in Citibank Plaza upon listing.

The aged analysis of trade payables is as follows:

| | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|--------------|--|--|
| | (unaudited) | (audited) |
| 0 – 3 months | 8,598 | 12,535 |

The REIT Manager considers that the carrying amounts of trade and other payables approximate its fair values.

(18) Secured Term Loan

| | At 30 Jun 2007 HK\$'000 | At 31 Dec 2006 HK\$'000 |
|--------------------|--|--|
| | (unaudited) | (audited) |
| Secured term loan | 7,000,000 | 7,000,000 |
| Loan front-end fee | (27,511) | (31,413) |
| | 6,972,489 | 6,968,587 |

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 drawn as at 30 June 2007 bears interest at floating interest rate of 3 months HIBOR plus 0.53% and is repayable in full on 24 May 2011. The effective interest rate of the five-year term loan is 5.8% per annum.

(19) Convertible Bonds

Treasure Source Limited (the "CB Issuer"), an entity indirectly wholly-owned and controlled by Champion REIT, issued 2% guaranteed convertible bonds due 2011 ("Bonds") in the aggregate principal amount of HK\$765,000,000 on 22 December 2006. The Bonds entitle the holders to convert them into units of Champion REIT at any time on and after 1 February 2007 up to and including 13 May 2011 at an adjusted conversion price of HK\$4.55 per unit unless the Bonds shall have been called for full redemption by the CB Issuer after 22 December 2009. If the holder has elected to convert the Bonds, the CB Issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable. If the Bonds have not been converted, redeemed or purchased and cancelled, they will be redeemed on 23 May 2011 at 110.328%. Interest of 2% will be paid semi-annually in arrears on 23 May and 23 November in each year, commencing on 23 May 2007.

The Bonds contain two components with the liability component stated at amortised cost and derivative component stated at fair value. The effective interest rate of the liability component is 5.55%.

The movement of the liability and derivative components of the Bonds for the period is set out as below:

| | 30 Jun 2007 HK\$'000 | 31 Dec 2006 HK\$'000 |
|-------------------------------------|-------------------------|-------------------------|
| | (unaudited) | (audited) |
| Liability component | | |
| At the beginning of the period | 722,613 | – |
| Amount recognised during the period | – | 721,925 |
| Imputed interest expense | 11,694 | 656 |
| Amortisation of bond issue cost | 569 | 32 |
| At the end of the period | 734,876 | 722,613 |
| Derivative component | | |
| At the beginning of the period | 37,715 | – |
| Amount recognised during the period | – | 36,975 |
| Change in fair value | 47,965 | 740 |
| At the end of the period | 85,680 | 37,715 |
| Total convertible bonds | 820,556 | 760,328 |

(20) Deferred Tax Liabilities

The followings are the major component of deferred tax liabilities and assets recognised and the movements thereon during the period:

| | Accelerated tax depreciation HK\$'000 | Investment properties HK\$'000 | Tax losses HK\$'000 | Total HK\$'000 |
|--|---|--------------------------------------|------------------------|-------------------|
| Balance at the beginning of the period | 74,282 | 144,789 | (63,183) | 155,888 |
| Charge (credit) to income statement during the period | 18,250 | 214,365 | (9,599) | 223,016 |
| Balance at the end of the period | 92,532 | 359,154 | (72,782) | 378,904 |

(21) Number of Units In Issue

| | Number of units | HK\$'000 |
|--|-----------------|-------------|
| | | (unaudited) |
| Issue of units on 24 May 2006 at HK\$5.10 per unit and issued units at 31 December 2006 | 2,742,710,561 | 13,987,824 |
| Unit issue costs | – | (193,965) |
| Issue of units on 5 January 2007 at HK\$3.69 per unit | 50,880,000 | 187,747 |
| | 2,793,590,561 | 13,981,606 |

On 5 January 2007, 50,880,000 new units of Champion REIT have been issued at a fair value of HK\$3.69 per unit as partial payment of the consideration for the acquisition of investment properties as mentioned in note 13 above.

(22) Net Asset Value Per Unit

The net asset value per unit is calculated by dividing the net asset attributable to unitholders as at 30 June 2007 of HK\$17,989,932,000 (31.12.2006: HK\$16,562,844,000) by the number of units in issue of 2,793,590,561 (31.12.2006: 2,742,710,561) as at 30 June 2007.

(23) Net Current Liabilities

At 30 June 2007, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$874,597,000 (31.12.2006: HK\$154,405,000).

(24) Total Assets Less Current Liabilities

At 30 June 2007, the Group's total assets less current liabilities amounted to HK\$26,161,881,000 (31.12.2006: HK\$24,447,647,000).

PERFORMANCE TABLE

As at 30 June 2007

| | Six months ended 30 Jun 2007 | Six months ended 31 Dec 2006 | 26 Apr 2006 – 30 Jun 2006 |
|---|------------------------------------|------------------------------------|------------------------------|
| Net asset value (HK\$'000) | 17,989,932 | 16,562,844 | 16,365,139 |
| Net asset value per unit | HK\$6.44 | HK\$6.04 | HK\$5.97 |
| The highest traded price during the period | HK\$4.690 | HK\$3.990 | HK\$4.375 |
| The highest premium of the traded price to net asset value ¹ | N/A | N/A | N/A |
| The lowest traded price during the period | HK\$3.690 | HK\$3.700 | HK\$3.775 |
| The highest discount of the traded price to net asset value | 42.70% | 38.74% | 36.77% |
| Distribution yield per unit ² | 3.06% | 5.32% | N/A |
| Annualized distribution yield per unit ² | 6.12% | 8.75% | N/A |
| Net profit yield per unit ³ | 8.02% | 6.87% | 0.17% |
| Annualized net profit yield per unit ³ | 16.04% | 13.63% | 1.63% |

Notes

- 1 The highest traded price is lower than the net asset value. Accordingly, no premium of the traded price to net asset value is presented.
- 2 Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1372 (which calculation had been set out in the Distribution Statement) for the six months ended 30 June 2007 over the traded price of HK\$4.48 as at 29 June 2007, the last trading day for the six months ended 30 June 2007.
- 3 Net profit yield per unit is calculated based on profit for the period before distribution to unitholders per unit for the six months period ended 30 June 2007 over the traded price of HK\$4.48 as at 29 June 2007, the last trading day for the six months ended 30 June 2007.

By Order of the Board

EAGLE ASSET MANAGEMENT (CP) LIMITED
(as manager of Champion Real Estate Investment Trust)

LO Ka Shui

Chairman

Hong Kong, 8 August 2007

corporate information 公司資料

REIT MANAGER

Eagle Asset Management (CP)
Limited

BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

LO Ka Shui (*Chairman*)
CHENG Wai Chee, Christopher
LO Kai Shui
HO Shut Kan

Executive Director

and Chief Executive Officer
STEWARDSON, Jeremy Bellinger

Independent Non-executive Directors

CHA Mou Sing, Payson
ELDON, David Gordon
SHEK Lai Him, Abraham

PROPERTY MANAGER

Eagle Property Management (CP)
Limited

TRUSTEE

HSBC Institutional Trust Services
(Asia) Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

SOLICITORS

Baker & McKenzie

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Savills Valuation and
Professional Services Limited

COMPANY SECRETARY OF THE REIT 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
Tel (852) 2862 8628
Fax (852) 2529 6087

REGISTERED OFFICE

Suite 3008, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong
Tel (852) 2879 1288
Fax (852) 2827 1338

WEBSITE

www.championreit.com

STOCK CODE

2778

信託管理人

鷹君資產管理(冠君)有限公司

信託管理人之董事會

非執行董事
羅嘉瑞 (*主席*)
鄭維志
羅啟瑞
何述勤

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

獨立非執行董事

查懋聲
ELDON, David Gordon
石禮謙

物業管理人

Eagle Property Management (CP)
Limited

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

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

信託管理人之公司秘書

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
電話 (852) 2862 8628
傳真 (852) 2529 6087

註冊辦事處

香港
灣仔
港灣道23號
鷹君中心30樓3008室
電話 (852) 2879 1288
傳真 (852) 2827 1338

網址

www.championreit.com

股份代號

2778



ChampionREIT
冠君產業信託

3008 Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道23號鷹君中心3008室

Tel 電話 (852) 2879 1288
Fax 傳真 (852) 2827 1338

www.championreit.com

