



Champion REIT
冠君產業信託

managing growth

Annual Report 2007

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))

mission

TRUST PROFILE

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties. 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. The Trust's focus is on Grade-A commercial properties in prime locations.

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

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. A comprehensive Corporate Governance Report for the year ended 31 December 2007 can be found on page 49 of this Annual Report.



contents

2	financial highlights
2	timeline of significant events
4	chairman's message
8	ceo's message
14	board of directors
18	senior management
24	corporate social responsibility
26	investor relations
28	citibank plaza
30	acquisition activity
32	financial review
36	valuation report
47	rent review report
48	trustee's report
49	corporate governance report
58	connected party transactions
70	independent auditor's report
72	financial statements
111	performance table
112	notice of agm
	corporate information

financial highlights

For the year ended 31 December 2007

	FY2007	Comparative Figures	% Change	26.04.2006 - 31.12.2006*
Key Financial Figures	HK\$'000	HK\$'000		HK\$'000
Total Revenue	838,891	558,212 ¹	50.3%	339,515
Property Operating Expenses	(158,445)	(129,309) ¹	22.5%	(78,648)
Net Property Income	680,446	428,903 ¹	58.6%	260,867
Profit After Tax	3,237,638	1,193,154 ¹	171.4%	725,699
Distributable Amount	669,822	422,609 ¹	58.5%	257,039
Value of Portfolio	28,343,000	23,500,000	20.6%	23,500,000
Other Relevant Figures				
Period-end Unit price	HK\$4.57	HK\$3.76	21.5%	HK\$3.76
Distribution per Unit	HK\$0.3397	HK\$0.2000	69.9%	HK\$0.2000
Net Asset Value per unit	HK\$6.98	HK\$6.04	15.6%	HK\$6.04
Gearing Ratio ²	26.1%	30.0%	13.0%	30.0%
Expense Ratio	18.9%	23.2%	(18.5)%	23.2%

Notes

- 1 FY2006 whole period annualized figure used for comparison. Annualization factor is 365/222 days.
- 2 Calculated based on the notional amount of total borrowings of the Trust as a percentage of its gross assets.
- * Not directly comparable to FY2007 as there were only 222 operational days in the last corresponding period.


timeline of significant events

5-Jan-07	Acquisition of additional Citibank Plaza floors
26-Mar-07	Launch of Chinese version of ChampionReit.com
1-Jun-07	Champion added to GPR-250 and GPR REIT Indices
8-Aug-07	Announcement of Interim Results
3-Oct-07	Payment of Interim Distribution
31-Dec-07	Financial Year End
4-Feb-08	EGM approving Investments in Overseas Markets
5-Feb-08	Announcement of Chief Executive Officer designate
14-Feb-08	Announcement proposing the Langham Acquisition
6-Mar-08	Record Date for Final Distribution Entitlement
6-Mar-08	EGM approving the Langham Acquisition
10-Mar-08	Announcement of Final Results
6-9-May-08	Book Closure for Annual General Meeting
9-May-08	Annual General Meeting
22-May-08	Payment of Final Distribution



going up
rents & revenue

chairman's message



2008 will be a year of transformation

Dr. LO Ka Shui

On behalf of the Board, I am pleased to present Champion REIT's annual report for the financial year ended 31 December 2007.

2007 was the first full operational year for the Trust. The Trust's property asset value has risen to HK\$28.3 billion at the end of the year, an increase of 20.6% over the previous year end, in line with the general rise in commercial property values in Hong Kong, and Net Asset Value increased from HK\$6.04 to HK\$6.98 per Unit.

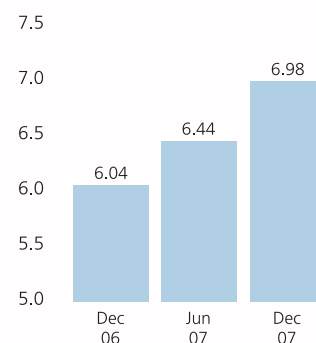
It remains Champion's policy to pay out 100% of income for distribution to Unitholders. The Distribution per Unit for the first half of the 2007 was HK\$0.1366, and improved to HK\$0.2031 in the second half of the year. This increase was indicative of the strong momentum of underlying rental growth at Citibank Plaza. Based

on the closing Unit price of HK\$4.57 as at 31 December 2007 and the total Distribution per Unit of HK\$0.3397, Champion was able to provide its Unitholders with a distribution yield of 7.4%.

The Trust is now prepared to embark on its next phase of development and 2008 will be a year of transformation for Champion REIT. The management team has recently assembled a transaction package for the acquisition of the shopping mall and office tower of Langham Place. The approval of independent Unitholders has been obtained and completion of the acquisition is targeted for the first half of 2008, should market conditions prove amenable to the intended capital raising exercise. It represents a major step forward in Champion's strategy to leave behind its 'financial engineering' status and proceed with yield accretive acquisitions.

Net Asset Value increased from HK\$6.04 to HK\$6.98 per Unit

NAV per Unit (HK\$)



Yield enhancement aspects of Champion's financial structure will be removed.

In 2008 Champion REIT should be able to pay out a Distribution per Unit of approximately HK\$0.25, free of financial engineering.

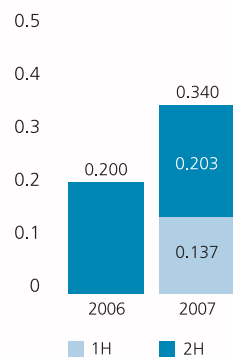
As part of the proposed transaction, yield enhancement aspects of Champion's financial structure will be removed. This is now possible as a solid foundation based on strong rental income at Citibank Plaza has been established. As disclosed in the forecasts of the acquisition circular, in 2008 Champion REIT should be able to pay out, free of financial engineering, a Distribution per Unit of approximately HK\$0.25 assuming completion of the acquisition takes place on 29 February 2008. Proceeds will be received from the anticipated unwinding of financial engineering, and Unitholders can expect an additional amount of distribution over and above the HK\$0.25 per Unit.

Going forward, Champion REIT will continue to pursue a prudent strategy of growth to generate stable and sustainable distributions for our Unitholders in the years to come.

LO Ka Shui
Chairman

DPU Breakdown

(HK\$)



After the acquisition, Champion is expected to become one of the ten largest REITs in Asia including Japan. It will also have successfully diversified its property portfolio beyond its current predominant exposure to the financial industry to include significant retail and trading elements. The Trust will own two trophy properties on both sides of the Hong Kong Harbour.



ceo's message

A photograph of Mr. Jeremy Bellinger STEWARDSON, the CEO, standing in a modern office building. He is wearing a dark pinstriped suit, a red tie, and glasses. The background shows a large, curved architectural structure with a glass and metal facade, likely the Citibank Plaza mentioned in the text. The lighting is bright, suggesting an indoor or well-lit outdoor space.

office rents at
citibank plaza
climbed further
in 2007

Mr. Jeremy Bellinger STEWARDSON

RENTS

Office rents at Citibank Plaza climbed further, supported by continued strong demand for Central Grade-A office space from the financial services sector in 2007. Lease renewals in Citibank Plaza also echoed the tight market conditions of the Central business district, where vacancies were in the 2 percent range. Within the property, any space vacated by rent-sensitive occupiers who shifted to Central during the 2003/04 dip in rents has been swiftly taken by a steady stream of high quality financial services sector tenants growing their businesses or new arrivals, predominantly in the fund management and legal sectors.

Citibank Plaza operates primarily on a three year rent review or expiry cycle. During 2007 the rent rates of some 50% of the leases in Citibank Plaza by floor area were marked to market through rent reviews on existing tenancies and the renewal or re-letting of expired tenancies. Consequently, there was a 74.5% increase in the average passing rent for office space in Citibank Plaza, from HK\$38.44 in January 2007 to

HK\$67.06 per sq.ft. by the end of the year.

Spot rental levels rose from approximately HK\$80 per sq.ft. at the beginning of 2007 to approximately HK\$100 per sq.ft. at the end of the year. As of the end of February 2008, the spot rental rate for office space has risen further to HK\$115 per sq.ft.

REVENUE AND EXPENSES

The favourable operating environment was reflected by the significant growth in the Trust's total revenue for 2007 to HK\$838.89 million. As the Trust was listed in May 2006, there are no directly comparable year-on-year figures. However, revenue for the 222 operational days in 2006 was equivalent to an annualized total revenue of HK\$558.21 million. On that basis, total revenue for 2007 showed a 50.3% growth.

As some of the major rent reviews took place in mid-year 2007, their impact on revenue was mainly shown in the second half. As a result, total revenue for the second half of 2007 rose to HK\$504.46 million from

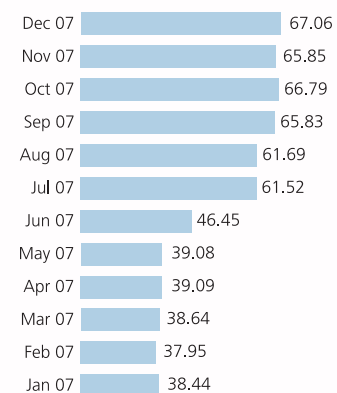
Continued strong demand for Central Grade-A office space from the financial services sector in 2007

74.5% increase in the average passing rent for office space

Spot rental rate for office space has risen further to HK\$115 per sq.ft.

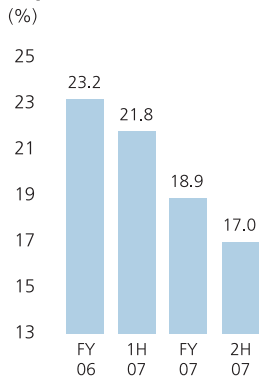
Average Passing Office Rents at Citibank Plaza

Rent per sq.ft. (GRA), HK\$

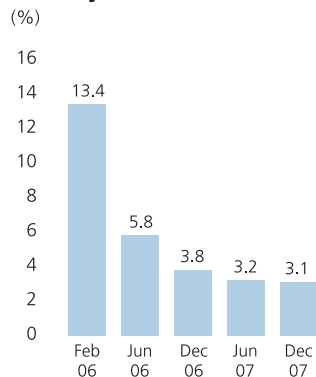


We expect the passing rental rates of almost half of Citibank Plaza to increase significantly over the next two years

Expense Ratio



Vacancy at Citibank Plaza



HK\$334.43 million in the first half. The full financial impact of the rent increases in 2007 will only be fully reflected in the results of 2008.

Operating expenses for 2007 were HK\$158.45 million. The expense ratio improved substantially to 18.9%, from that of 23.2% in 2006. As the average occupancy rate was higher in 2007, there was a higher rate of recovery of operating expenses from tenants. Also, as portions of operating expenses are relatively stable and uncorrelated to rental revenue, the increase in the average monthly passing rent resulted in a lower expense ratio. In fact, as rent rates improved further in the second half of 2007, the expense ratio for the second half fell further to roughly 17%.

Net property income was HK\$680.45 million, a 58.6% improvement over the annualized 2006 net property income of HK\$428.90 million. Net property income for the second half of 2007 was HK\$418.92 million, a significant increase over that of HK\$261.53 million for the first half.

TENANTS

Our core strength lies in the size and strength of our multi-national tenant profile and efforts to improve the attractiveness of Citibank Plaza to our target market continue. Many tenant relationship management initiatives that began in 2007 will be coming to fruition in 2008, and the REIT Manager will be proceeding with plans to upgrade the amenities and facilities offered to tenants.

In terms of occupancy, Citibank Plaza was structurally full throughout 2007 and vacancy was around 3% at the end of the year. It is significant to note that four of our five largest tenants took on additional space during the year, as a consequence of growing business activity and headcount.

Combined expiries over the next two years are not expected to exceed 25% of the building, limiting the risk of a high vacancy rate in 2008 and 2009. However, we expect approximately 49% of the tenanted floor area to have their rent rates increased over the same period

because of rent review clauses built into our longer lease agreements. As the leases to be marked to market over the next two years have existing rental rates of between approximately HK\$50 to HK\$73 per sq.ft. as compared to expected market rents of over HK\$100 per sq.ft., we expect the passing rental rates of almost half of Citibank Plaza to improve significantly over the next two years, should the prevailing market conditions persist.

PROSPECTS

The REIT Manager views the first half of 2008 with guarded optimism.

While demand for office space may moderate somewhat in the face of global financial market uncertainties, property market conditions in Hong Kong appear to continue to favour the landlord with vacancy rates at historical lows. In the medium term, the leasing market in prime commercial areas will continue to be underpinned by the shortage of new Grade-A property supply in the

Rental Reversion

	Leases Expiring	Leases due for Rent Review	Combined
Percent of Leased Area and...			
2008	14.0%	20.3%	34.4%
2009	10.4%	4.3%	14.7%
2010	38.1%	11.1%	49.2%
...the Existing Rental Rates ¹			
2008	\$57.08	\$45.32	\$50.12
2009	\$77.42	\$63.80	\$73.46
2010	\$79.29	\$85.53	\$80.70

Note

¹ Based on monthly rental

traditional business districts of Hong Kong. Retail consumption figures have retained their strength, augmented by growing tourist expenditure and expansionary fiscal policy on the part of the government. This environment is likely to continue to assist the REIT manager in maintaining high occupancy levels, and continuing revenue growth within the portfolio.

Having obtained the necessary regulatory and Unitholders' approvals, the REIT Manager will be working hard to complete the acquisition of the retail, office and car park components of Langham Place. This yield-accretive landmark acquisition will be highly significant for

Champion REIT. As part of the transaction, virtually all of the existing financial engineering features in the Trust's income structure would be removed, having become largely redundant after serving its purposes in supporting stable yield levels in the Trust's early internal growth phase. This is of significance, providing as it does a clear and transparent financial structure based on a clean property yield. With the resulting lower cost of capital, the Trust would be in a better position to continue its strategy to grow through accretive acquisitions.

Jeremy Bellinger STEWARDSON
Chief Executive Officer

A close-up photograph of a person's hands in a dark suit and blue striped tie, gripping a vertical metal handle of a glass door. The background is a blurred view of an outdoor area with a red brick wall and greenery.

moving
ahead
growth by acquisition

board of directors



The Board is responsible for the overall governance of the REIT Manager including establishing goals for management and monitoring the achievement of these goals.

NON-EXECUTIVE DIRECTOR AND CHAIRMAN

Dr. LO Ka Shui, aged 61, is the Chairman and a Non-executive Director of the REIT Manager. He has been a member of the board of directors of the Great Eagle Group since 1980 and is now the Chairman and Managing Director of Great Eagle Holdings Limited. He is a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a vice president of the Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research and a board member of the Hong Kong Airport Authority.

Dr. LO graduated from McGill University with a Bachelor's Degree of Science and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in cardiology. He has more than 28 years' experience in property and hotel development and investment both in Hong Kong and overseas. He is a brother of Mr. LO Kai Shui.



NON-EXECUTIVE DIRECTOR

Mr. CHENG Wai Chee, Christopher, aged 59, is a Non-executive Director of the REIT Manager. He is the chairman of USI Holdings Limited and Winsor Properties Holdings Limited and a non-executive director of several listed and unlisted companies, namely, NWS Holdings Limited, New World China Land Limited, PICC Property and Casualty Company Limited and DBS Group Holdings Ltd. Mr. Cheng currently serves as a non-executive director of the Securities and Futures Commission and a member of the Exchange Fund Advisory Committee. He is also a former chairman of the Hong Kong General Chamber of Commerce and the chairman of the Standing Committee on Judicial Salaries and Conditions of Service. As a long-serving former member of the Public Service Commission, he provided advice to the Government on the formulation of human resources management policies and practices for the civil service. He is a Steward of the Hong Kong Jockey Club and serves on the Council of The University of Hong Kong.

Mr. CHENG graduated from the University of Notre Dame, Indiana with a Bachelor's Degree in Business Administration, and from Columbia University, New York with a Master's Degree in Business Administration.

NON-EXECUTIVE DIRECTOR

Mr. HO Shut Kan, aged 59, is a Non-executive Director of the REIT Manager. He has over 30 years of experience in the property sector. He is currently serving as an executive director of Kerry Properties Limited, a listed company in Hong Kong.

Mr. HO holds a master of Business Administration Degree from the University of East Asia.

NON-EXECUTIVE DIRECTOR

Mr. LO Kai Shui, aged 48, is a Non-executive Director of the REIT Manager. He was appointed to the board of directors of the Great Eagle Group in 1984 and is now the Deputy Managing Director of Great Eagle Holdings Limited.

Mr. LO graduated from Columbia University with a Bachelor's Degree in Engineering. He has more than 25 years' experience in property development and investment, and building construction. He is a brother of the Chairman, Dr. LO Ka Shui.



The Board has established a framework for the management of Champion REIT, including a system of internal controls and business risk management processes.

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. STEWARDSON, Jeremy Bellinger, aged 55, is the Chief Executive Officer, an Executive Director and a Responsible Officer of the REIT Manager. He has 30 years' of experience in the international commercial property industry. Prior to joining the REIT Manager, he was a property consultant from 2001 to 2005, during which period he was involved in various projects in Hong Kong, Shanghai, Bangkok, Macau and Tokyo. He previously worked for Jones Lang Wootton and Jones Lang LaSalle from 1978 to 2000 in Asia and Europe. He was the managing director and international director of Jones Lang Wootton/Jones Lang LaSalle, Bangkok, responsible for the operations of a full service property consultancy in Thailand and Indochina from 1996 to 2000. He was one of the two directors of Jones Lang Wootton, London, responsible for the development and implementation of the marketing plan for Canary Wharf, London under a joint agency with CB Richard Ellis from 1994 to 1996. He was responsible for the commercial and industrial agency team across seven offices in Germany from 1990 to 1994. He was also the director of Jones Lang Wootton, Hong Kong, responsible for the development marketing consultancy in Asia from 1978 to 1990 and was involved in projects such as Harbour City Phase 1, Tsimshatsui, Kowloon for The Wharf (Holdings) Limited and Exchange Square Phases 1 and 2, Central for Hongkong Land Holdings Limited.

Mr. STEWARDSON is a Fellow of The Royal Institution of Chartered Surveyors.



INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. CHA Mou Sing, Payson, aged 65, is an Independent Non-executive Director of the REIT Manager. He was appointed director and the chairman of the board of directors of HKR International Limited in 1989 and 2007 respectively. He has served as a director of a number of subsidiaries of HKR International Limited since its inception in 1977. He is also the chairman and non-executive director of HKR International Limited's associated corporation, Hanison Construction Holdings Limited and an independent non-executive director of New World Development Company Limited, both of which are listed on the Hong Kong Stock Exchange, and an independent non-executive director of Hongkong International Theme Parks Limited and the Chairman of Mingly Corporation and Asia Television Limited. He is a member of the National Committee of the Chinese People's Political Consultative Conference. He is also a director of LBJ Regents Limited, CDW Holdings Limited and Novantenor Limited, all of which are substantial shareholders of HKR International Limited.

Mr. CHA holds an honorary doctorate degree of Social Science from City University of Hong Kong. He has over 42 years' experience in property development.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. ELTON, David Gordon, aged 62, is an Independent Non-Executive Director of the REIT Manager. He joined the HSBC Group in 1968 and became Chairman of Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited in 1996 and 1999 respectively. After 37 years of service to the HSBC Group, he retired as Chairman of Hang Seng Bank Limited on 21 April 2005, retired as Chairman of The Hongkong and Shanghai Banking Corporation Limited on 24 May 2005 and also retired from the board of HSBC Holdings plc on 27 May 2005. He is now Senior Adviser of PricewaterhouseCoopers, Hong Kong. He is also Chairman of the Hong Kong General Chamber of Commerce, Dubai International Financial Centre Authority, Noble Group Limited, Deputy Chairman of the Hong Kong Jockey Club, Director of MTR Corporation Limited in Hong Kong, Founding Member and past Chairman of the Seoul International Business Advisory Council, an international Council Member of the Bretton Woods Committee, an Adviser to Unisys, in addition to a number of Government and community appointments in Hong Kong.

Mr. ELTON became an Associate of the Chartered Institute of Bankers (ACIB) in 1972 and a Fellow of the Institute (FCIB) in 1986.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. SHEK Lai Him, Abraham, aged 62, is an Independent Non-executive Director of the REIT Manager. He is currently a member of the Legislative Council. He is also a member of the Council of The Hong Kong University of Science and Technology and the Court of The University of Hong Kong. He is also an independent non-executive director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, Titan Petrochemicals Group Limited, See Corporation Limited, ITC Corporation Limited, Hop Hing Holdings Limited, Hsin Chong Construction Group Limited and Country Garden Holdings Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of Regal Portfolio Management Limited (Manager of the publicly listed Regal REIT) and a director of The Hong Kong Mortgage Corporation Limited.

Mr. SHEK graduated from the University of Sydney with a Bachelor of Arts degree.

senior management

REIT MANAGEMENT TEAM

The REIT Manager, Eagle Asset Management (CP) Limited, is charged with the responsibility of managing the assets of Champion REIT for the benefit of Unitholders. As part of its duties, it will set the strategic direction and risk management policies of Champion REIT, appoint and supervise service providers, and initiate the acquisition, divestment or enhancement of assets. Communication with investors and other stakeholders is another role of the REIT Manager and it is responsible for ensuring compliance with the applicable provisions of the REIT Code, the Securities and Futures Ordinance and other relevant legislation.



Mr. STEWARDSON, Jeremy Bellinger

Chief Executive Officer

Mr. STEWARDSON, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. Additionally, he is responsible for the day-to-day operations. Mr. STEWARDSON is a Responsible Officer as defined under the Securities and Futures Ordinance.

Biographical information on Mr. STEWARDSON can be found on the page highlighting the board of directors, of which he is a member.



Mr. Patrick CHOO

Chief Investment Officer

Mr. CHOO is responsible for the strategic and capital structuring of Champion REIT, and for investor relations. He is also responsible for identifying and evaluating potential acquisitions or investments. Mr. CHOO has 19 years of asset management experience in Hong Kong and Singapore as a licensed fund manager and is familiar with the operational and regulatory environment involving multi-investor trust structures registered in Hong Kong. In previous jobs, he has led investment teams at various well established asset management companies, managing private assets, public authorized unit trusts and Mandatory Provident Fund master trust funds.

Mr. CHOO graduated magna cum laude from the University of Pennsylvania with a Bachelor of Science in Engineering degree.



Mr. KWONG Chi Kwong

Chief Operating Officer

Mr. KWONG is responsible for formulating the business plans of Champion REIT's properties and supervising the property management team with a view to maximizing rental income via active asset management. Mr. KWONG has over 21 years' experience in the industry and has held a variety of management and supervisory roles in areas of leasing and sales of properties, formulation and implementation of market plans, market research, site acquisitions, feasibility studies, liaison with government authorities and external professionals and administration.

Mr. KWONG holds a Bachelor of Arts degree from the University of Hong Kong.



Ms. SUNG Kar Wai, Rosana

Finance and Office Administration Manager

Ms. SUNG is primarily responsible for the financial reporting and general office administration of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. With more than 11 years of accounting and audit experience, Ms. SUNG had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

Ms. SUNG holds a Master of Professional Accounting degree from the Hong Kong Polytechnic University and a Bachelor of Business Administration degree with major in Accountancy from the Chinese University of Hong Kong. She is also an associate member of Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants.

Ms. LEE Man Yee, Flora

Compliance Manager

Ms. LEE is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Previously, Ms. LEE had worked at different listed property groups for 10 years, performing legal and company secretarial duties.

Ms. LEE graduated with a Bachelor's degree in Accounting and Finance in the United Kingdom and subsequently obtained a postgraduate degree in Corporate Administration in Hong Kong. She is an associate of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Company Secretaries in Hong Kong.

Mr. LEE Pak Shing, John

Internal Auditor

Mr. LEE is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures internal control systems function properly and provides regular reports to the audit committee of the board of directors. Prior to joining the REIT Manager, Mr. LEE worked as a senior internal auditor at a well-recognized listed retailer and has over 13 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

Mr. LEE holds a Bachelor of Commerce degree in Accounting and Finance from Dalhousie University and a Master of Science degree in Operational Research from the London School of Economics and Political Science.

CHIEF EXECUTIVE OFFICER DESIGNATE

I share the vision of the Chairman of making Champion REIT the best-in-class REIT of the region. I will be building on current strengths, but I am committed as well to driving the changes we need to achieve long-term sustainable growth.

Having been responsible for the marketing, leasing and sales of Citibank Plaza as well as Langham Place, I find myself uniquely qualified to take over the reins at Champion REIT, especially after Langham Place becomes part of the portfolio.

It was announced on 5 February 2008 that Mr. LEE Ching Ming, Adrian will be succeeding Mr. Jeremy Bellinger Stewardson as Chief Executive Officer of the REIT Manager. Mr. Lee worked in a major international bank for over 20 years before joining the Great Eagle Group where he has held various senior positions since 1994. He is also currently Director and General Manager of the Property Manager. Biographical information on Mr. Lee can be found under the property management team section.

Mr. Lee will be assuming the role of the Chief Executive Officer and be appointed an Executive Director of the REIT Manager when his application for responsible officer status to the Securities and Futures Commission is approved.



Mr. LEE Ching Ming, Adrian

MANAGEMENT PHILOSOPHY

ASSET MANAGEMENT STRATEGY

The REIT management team, working closely with the property management team, will proactively manage its properties, and achieve the following:

- **Maximize rental income**
 - by optimizing rental income from each tenancy and where possible augmenting rental income through additional floor area, asset enhancements or turnover rent.
- **High occupancy levels**
 - by maintaining high quality service and technical standards, and by capitalizing on the requirements of targeted tenant niches and actively managing tenancy expiries.
- **High tenancy renewal rates**
 - through proactive tenant relationship management and anticipation of future tenant needs. This will minimize rental losses due to downtime and lower expenses and agency fees incurred for new tenancies.
- **A quality tenant base**
 - built upon high covenant multi-national office occupiers and well recognized retail tenants, to maintain a premium image for our properties and to minimize default rates.

ACQUISITION STRATEGY

The REIT Manager intends to actively pursue yield enhancing opportunities through the addition of new income-producing commercial properties. The following investment criteria will be evaluated in conjunction with acquisition opportunities:

- **Yield accretion**
 - properties to be acquired should have strong existing or potentially higher rental income.
- **Asset value growth potential**
 - macro economic factors and the potential for future changes in asset value will be assessed.
- **Tenant characteristics**
 - rent and occupancy trends will be assessed with emphasis on good tenant retention/default rates.
- **Location and accessibility**
 - properties with convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.
- **Value-adding opportunities**
 - through renovation, other enhancements and proactive property management will be assessed.
- **Building specifications**
 - should be best of class. Other aspects such as building condition and compliance with regulations will also be examined.

The REIT Manager remains committed to providing Unitholders with attractive total returns in the form of stable and sustainable Distribution per Unit and long-term growth in Net Asset Value per Unit. It will achieve this through proactive asset management and the selective acquisition of properties.

PROPERTY MANAGEMENT TEAM

The Property Manager and the DMC Sub-manager together field a team of over 170 full-time and contract staff undertaking property management and lease management responsibilities for Champion REIT and providing the building management services for common areas at Citibank Plaza.

Property management duties are fulfilled by the Property Manager and include coordinating tenants' fitting out requirements, ensuring compliance with building and safety regulations, maintenance activities, sourcing and supervising third party service providers and contracts and arranging for insurance. Marketing and lease management services are also



Mr. LEE Ching Ming, Adrian

Director and General Manager,
Property Manager

Mr. LEE's role is of a supervisory and managerial nature at a senior level, and he has overall responsibility for the formulation and implementation of the business strategies of the Property Manager's leasing activities and also oversees advertising, marketing and public relations activities. He is concurrently an Assistant Director of Great Eagle Holdings Limited, a Director and the General Manager of The Great Eagle Estate Agents Limited and a non-executive director of Recruit Holdings Limited.

Mr. LEE has over 30 years of experience in the banking and property industry and holds a Bachelor of Social Sciences degree from the University of Hong Kong.



Ms. LAM Yuk Lin, Violin

General Manager,
Property Manager

As General Manager, Ms. LAM plays a key role in the implementation of Citibank Plaza's business and leasing strategies. She has been involved in leasing and marketing activities of Citibank Plaza since 1999 and entered the property industry in 1994.

Ms. LAM holds a Bachelor's degree in Communications from the University of Hawaii.



Ms. NG Yuk Hing, Rita

Marketing Manager,
Property Manager

Ms. NG is responsible for leasing and tenant management at Citibank Plaza. She has been involved in leasing and marketing activities in Citibank Plaza since 1999 and has over 20 years of working experience in various listed property companies.

performed by the Property Manager and include the administration of rental collection, management of rental arrears, initiating lease renewals negotiations. In addition, the Property Manager coordinates marketing activities among leasing agents and also sources new tenants independently.

Building management services are carried out by the DMC Sub-manager and their scope of responsibilities under the existing Deed of Mutual Covenant include the management, maintenance, repair and upkeep of common areas, facilities, structures and equipment, the operation and maintenance of the building services and safety systems and the maintenance of building security. In 2005, the DMC Sub-manager underwent a quality management system certification and was accredited with ISO 9001:2000.



Mr. LEUNG Tat Kai, Henry

Director and General Manager,
DMC Sub-manager

Mr. LEUNG is responsible for the management of the property portfolio of the DMC Sub-manager. Prior to joining the DMC Sub-manager in 2002, he was a senior manager at the property manager of the International Finance Centre, Hong Kong's tallest office complex.

Mr. LEUNG holds a Bachelor's (honors) degree in Law from the University of London, a higher diploma in Company Secretaryship and Administration and a higher diploma in Surveying from the Hong Kong Polytechnic University. He is also a member of the Hong Kong Institute of Real Estate Administration and associate member of the Institute of Chartered Secretaries and Administrators.

Mr. NGAN Kin Wah, Daniel

Assistant General Manager,
DMC Sub-manager

Mr. NGAN has more than 20 years of experience in the property management industry. Prior to joining the DMC Sub-manager in 2004, he worked for Hong Kong's biggest listed property company investing in commercial properties from 1981 to 2004.

Mr. NGAN holds a Master's degree in Science from the University of Greenwich, a Bachelor's degree in Commerce from Curtin University of Technology. He is also a member of the Hong Kong Institute of Real Estate Administration, a member of the Chartered Management Institute, a member of the American Society of Heating, Refrigerating and Air-conditioning Engineers Incorporation and a member of International Facility Management Association.

Ms. MOK Lai Shim, Billian

Chief Estate Manager,
DMC Sub-manager

Ms. MOK is Citibank Plaza's full-time DMC on-site manager and is primarily responsible for building management and maintenance operations. She has been involved in managing Citibank Plaza since 1993.

Ms. MOK holds a certificate from the Ontario Mortgage Brokers Association and a certificate in Housing Management. She is also a member of the Chartered Institute of Housing (United Kingdom).

corporate social responsibility

Corporate social responsibility is a trait of world class business concerns and a cornerstone of Champion REIT's management philosophy. To this end, issues such as health, safety, the environment, and community development are given serious consideration at the strategic level as well as in the day-to-day operations of the Trust's properties.

HEALTH AND SAFETY

Citibank Plaza supersedes many of the environmental and safety features expected of modern grade 'A' office buildings. The office complex boasts a computerized automatic fire detection and alarm system, utilizing both smoke and heat detectors. Drencher systems provide a water curtain to protect escape stairs and prevent fires from spreading easily from floor to floor and in the basement car park. There is also a carbon dioxide gas fire suppression system to compliment water based fire extinguishing systems. When a power failure event occurs, all 36 passenger lifts are recalled to the main lift lobby using emergency generator power.

A safe working environment and in particular air quality is a very important factor for tenants and high standards for air quality and circulation are maintained. The office complex has been subject to testing under the government sponsored IAQ Certification Scheme for Offices and Public Places and the indoor air quality of both Citibank Tower and ICBC Tower has been classified as 'Excellent' under the scheme.

Within Citibank Plaza a recently renovated health club featuring a health spa, gymnasium and a heated swimming pool among other exercise facilities, is available. The health facility is sizable, occupying almost four floors of one tower and is more than adequate to meet the cardiovascular and relaxation needs of tenants.

ENERGY EFFICIENCY

Energy efficiency is an important means of reducing pollution and conserving the world's limited resources. Pursuing energy efficiency also has the parallel benefit of reducing operating costs, even while global warming is ameliorated. Accordingly, there is an ongoing initiative to reduce the energy footprint of Citibank Plaza. Energy saving luminaries are common fixtures within Citibank Plaza while reflective coatings along the primary glass walls provide additional energy savings by reflecting heat while allowing light to enter the interior. Two ten-storey tall frameless glass panels are a distinctive architectural feature of Citibank Plaza and these provide the central atrium and lobby with natural lighting.

Citibank Plaza boasts a comprehensive ventilation and air conditioning system complete with a floor-by-floor climate sensors and control system. To minimize redundant cooling, air-conditioning can be controlled in increments of 500 sq.ft.. The complex's chiller plants have also been upgraded to reduce energy usage further.



SOCIAL RESPONSIBILITY

To facilitate tenants who might have employees with disabilities, a toilet for the disabled is provided on every floor while a secondary entrance to the basement allows wheelchair access from the street level. In service to the community, Citibank Plaza provides more than 60,000 sq.ft. of floor space as a public thoroughfare. It also maintains two pedestrian bridges abutting the public thoroughfare, providing sheltered elevated access between Hong Kong Park and Central.

During the year, Citibank Plaza hosted a Global Brand Art Exhibition by Hannes Rossbacher in conjunction with Austrian Consulate General to promote cultural exchange. Mr. Rossbacher's featured paintings each portrayed a contemporary blend of two well recognized icons, one from the Eastern and one from the Western spheres of influence.



our
commitment
best-in-class standards



investor relations

Champion REIT is committed to strengthening its relationships with Unitholders, tenants and other stakeholders

Regular, transparent and timely communication with stakeholders is one of the REIT Manager's priorities

Candid feedback of the investment community has been an important factor in the REIT Manager's decision making processes

EXISTING STAKEHOLDERS

The success of Champion REIT is built upon the support of a variety of stakeholders and Champion REIT is committed to strengthening its relationships with unitholders, tenants and other stakeholders. To this end, regular, transparent and timely communication with stakeholders is one of the REIT Manager's priorities. This interaction will provide clarity on the investment trust's financial performance, as well as highlight growth areas and investment strategies.

The Trust has been improving on its disclosure standards. To facilitate financial forecasts, the REIT Manager began disclosing the monthly average passing rent at Citibank Plaza and also a schedule of anticipated rent reviews for each year.

Champion REIT has been maintaining a dialogue with stakeholders on many fronts. In the normal course of business, numerous one-on-one meetings with analysts and institutional investors, and building tours have been conducted. In the past year, several non-deal roadshows covering 4 continents were carried out by the REIT Manager. In addition, Champion REIT's management has been a speaker or corporate participant at various overseas investor conferences sponsored by investment banks.

As investors are the ultimate owners of the REIT's assets, the candid feedback of the investment community has been an important

factor in the REIT Manager's decision making processes. In the past year opinions on various aspects of Champion REIT's operations have been solicited, including views on financial transparency, diversification and external growth. Steps have been taken to take into account these opinions, particularly via the proposed Langham acquisition. Please refer to the section on acquisition activity for further details.

POTENTIAL STAKEHOLDERS

Another priority for the REIT Manager is the raising of awareness of the Trust. In this respect activities are targeted at potential investors through the media, investment analysts and other channels. Champion REIT was the first REIT to use press advertisements to publicize its financial performance once it was no longer a regulatory requirement to publish full announcements in the newspapers. To promote the name and potential of Champion REIT, the REIT Manager has also capitalized on speaker or panelist opportunities at industry conferences.

The number of analysts issuing research on Champion REIT is important as independent third-party research has strong implications for institutional ownership and trading liquidity. In the past 6 months progress has been made; BNP Paribas, Macquarie and UBS have added the Trust to their research universe. This brings total analysts coverage to 9, as compared to the HK REIT average of 5.

WEBSITE

The Champion REIT website, www.ChampionReit.com, is a further source of information for stakeholders. It serves as a timely and convenient conduit whereby press releases, announcements, circulars and presentations issued by the Trust can be viewed or downloaded. A Chinese mirror of the website was launched in March 07 to broaden the reach of our internet platform.

The website's functionality goes beyond document dissemination and views regarding the property market in Hong Kong and hyperlinks to third-party trading and price quotation pages for Champion REIT are among the other features available.



citibank plaza

Citibank Plaza is the archetypal modern premium grade 'A' office complex.

Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions

PRIME LOCATION

Citibank Plaza is a modern glass and steel office complex that comprises Citibank Tower, ICBC Tower, a 3 level basement garage capable of accommodating 558 vehicles, as well as a retail podium. The complex is located in the Central District of Hong Kong and is well connected by elevated walkway to the rest of Central. Its address at No. 3 Garden Road is nestled within the traditional banking hub of Hong Kong and the headquarter buildings of all three of Hong Kong's currency issuing banks can be found a stone's throw away. Champion REIT owns all floors of ICBC Tower, all but 4 floors of Citibank Tower, all the retail space and parking space of Citibank Plaza. In percentage terms, this is equivalent to approximately 96% of the gross rentable area.

ARCHITECTURAL EXCELLENCE

With a gross floor area of almost 1.6 million sq.ft., Citibank Plaza is one of the biggest office complexes in Hong Kong, serving a working population of over 10,000. The premium office complex is considered by many to be one of the Central District's iconic structures. Besides its two characteristic curved reflective façades, the complex contains many distinct architectural features, such as the flexibility to join 26 floors of both towers to provide an enlarged floor

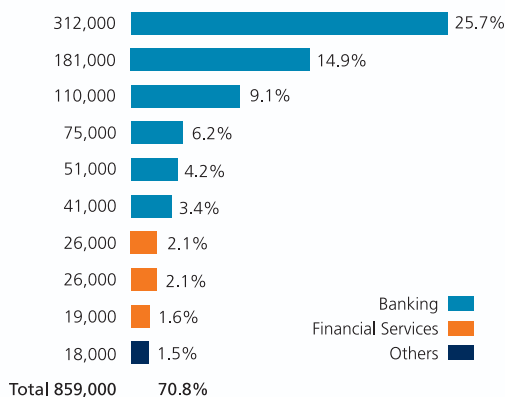
plate of up to 34,000 sq.ft. In recognition of excellence in the area of architectural design, Citibank Plaza was awarded the Hong Kong Institute of Architects' highest award in 1994, the Silver Medal.

PREMIUM GRADE 'A' SPECIFICATIONS

Citibank Plaza is the archetypal modern premium grade 'A' office complex, replete with fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate cabling and flexibility in office configurations, a central computerized control center and a master satellite signal distribution system. Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions, the building's primary target tenants. These include security lift facilities for treasury items, high redundant power supply to floor space ratios, timely emergency power supply and more importantly emergency chilling facilities to data centres during power outages. It also operates an intelligent heat detection system which can prevent the unintentional activation of sprinklers. Understandably, the largest tenants are mostly distinguished household names from the financial sector.

Mix of Top 10 Tenants (March 2008)

GRA leased, sq.ft.



Building Specifications

Assessed Value*	HK\$28.3 billion
Height	205 m, 47 storeys
Year of Completion	1992
Total Floor Area*	1,559,000 sq.ft.
Gross Rentable Area Office*	1,170,000 sq.ft.
Gross Rentable Area Retail	43,000 sq.ft.
Maximum Gross Floorplate	34,000 sq.ft.
Car Park Spaces	558
No. of Tenants*	78
Occupancy Rate*	97%

* only Champion REIT's portion



acquisition activity

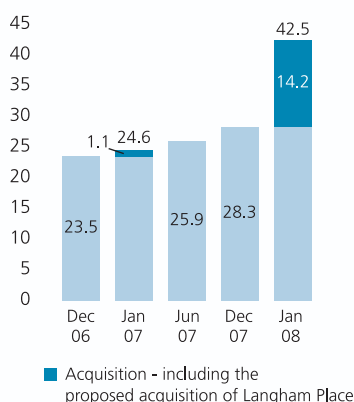
Unitholders overwhelmingly approved the Trust's investment strategy to expand to overseas markets

On completion of the Langham acquisition, the value of Champion REIT's total property assets will be increased to over HK\$42 billion.

This acquisition is by far the biggest acquisition to be undertaken by a REIT in the region.

Champion REIT will become one of the 10 largest REITs in Asia

Value of Property Portfolio
in billion of \$HK



CITIBANK PLAZA

On 5 January 2007, the Trust completed its inaugural acquisition, the purchase of the 34th, 36th and 37th Floors of Citibank Tower. The purchase consideration was approximately HK\$994 million of which roughly 74% was satisfied in cash and the balance by way of issue of 50.88 million units of Champion REIT to the Vendor. The cash payment was funded by the issue of convertible bonds. The acquisition allowed Champion REIT to grow its asset base and consolidate its ownership of Citibank Plaza, making Champion REIT the sole landlord at Citibank Plaza.

The acquisition also placed Champion REIT at the forefront of the Hong Kong REIT industry and was groundbreaking from several aspects. With a purchase consideration of almost HK\$1 billion, it was the first sizeable acquisition by a real estate investment trust in Hong Kong. The issue of bonds was the first instance of a REIT in the region using convertible bonds to raise capital for an acquisition.

OVERSEAS ACQUISITIONS

Champion REIT proposed to its Unitholders in early 2008 an expansion of its geographical scope and at Extraordinary General Meeting held on 4 February 2008 Unitholders overwhelmingly approved the Trust's investment strategy to expand to

overseas markets. As such, the REIT Manager's acquisition efforts will be focused on further investments not only in Hong Kong, but also in the other major business and commercial centres in the region.

LANGHAM PLACE

On 14 February 2008, the Trust proposed to Unitholders the acquisition of the Langham Place Mall, most of the Langham Place Office Tower and the carpark at Langham Place, at a purchase price of HK\$12.5 billion. Having garnered the support of 89% of independent Unitholders at an Extraordinary General Meeting held on 6 March 2008, Champion REIT, as of the publishing date of this report, is poised to proceed with the fund raising exercise for the acquisition.

According to the independent valuer appointed by the REIT Manager to value the Langham Property, the purchase value is at an 11.8% discount to its appraised value of HK\$14.17 billion. This new property is expected to be a significant and valuable addition to Champion REIT's current portfolio and on completion of the Langham acquisition, the value of Champion REIT's total property assets will be increased by more than 50% to over HK\$42 billion.



This acquisition is to be a transformational transaction for Champion REIT in many respects:

- Champion will no longer be a single asset REIT and will benefit from the diversification effects of adding an additional property in a different district.
- Champion will be able to reduce its dependency on tenants in the financial industry as the office tenants in Langham Place are largely non-financial.
- Champion will be able to introduce a retail element into its rental revenue mix, at a time when the retail industry is booming in Hong Kong.
- Champion will have a proven track record of yield-accretive acquisitions. This acquisition if completed, will be by far the biggest acquisition to be undertaken by a REIT in the region. It would make the Trust one of the 10 largest real estate investment trusts in Asia.

The acquisition and its associated funding exercise also introduces several new innovations to the REIT industry:

- All material financial engineering will be removed as part of the transaction. The existing distribution waiver arrangement from Great Eagle will be terminated and Champion's below market interest rate swaps will be amended to the prevailing market rates. Champion will become financially transparent; and its distributions will be based on its underlying rental income.
- There is an undertaking on Distribution per Unit accretion without finalizing the terms of financing. The REIT Manager retains the flexibility to not proceed with the transaction if it is not satisfied, taking into account the actual terms of the

financing arrangements once determined, that as a result of the acquisition there would be an increase in the annualized distribution per unit of Champion REIT as forecast for the 2008 financial year.

- Cash settled convertible bonds – potential dilution of Distribution per Unit from the conversion of convertible bonds will be reduced, using a cash settlement mechanism. Conversions can be settled in part or in full with cash, instead of units. It is the intention to have the cash funded by a bank debt facility which is cross-collateralized with the bonds on the same property.

financial review

DISTRIBUTION

Distributable Amount

The total distributable amount of Champion REIT for the year ended 31 December 2007 ("FY07 Distribution Period") amounted to HK\$669,822,000. This amount was adjusted to eliminate the effects of non-cash finance costs due to the interest rate swap of HK\$303,430,000, equivalent to HK\$0.1083 and HK\$0.1539 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 its unitholders.

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 Distribution Period with respect to all of the units it held as at the Listing Date.

The distributable amounts for the half year from 1 January 2007 to 30 June 2007, being the FY07 Interim Distribution Period, and 1 July 2007 to 31 December 2007, being the FY07 Final Distribution Period, were HK\$269,441,000 and HK\$400,381,000 respectively, equivalent to distribution of HK\$0.1366 and HK\$0.2031 per unit respectively after taking into account the Distribution Waiver. The total distribution per unit for FY07 Distribution Period is HK\$0.3397, which represents a distribution yield of 7.4% based on the closing unit price of HK\$4.57 as at 31 December 2007.

The distribution for FY07 Final Distribution Period of HK\$0.2031 per unit will be paid to persons who are registered unitholders as at 6 March 2008. The payment date will be on Thursday, 22 May 2008.

Record Date for Entitlements

The REIT Manager has set the record date for determining entitlements of FY07 Final Distribution on 6 March 2008. The reasons and justification together with the relevant notice of book closure period were stated in the announcement dated 14 February 2008 and the unitholders' circular dated 16 February 2008.

BOOK CLOSURE FOR 2008 ANNUAL GENERAL MEETING

The register of Unitholders will be closed from Tuesday, 6 May 2008 to Friday, 9 May 2008 (the record date), both days inclusive, during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend the 2008 Annual General Meeting of Unitholders of Champion REIT, all Unit certificates accompanied by the duly completed transfers must be lodged with the 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 Monday, 5 May 2008.

FINANCIAL STRUCTURE

Champion REIT has a syndicated bank loan facility of HK\$7,200 million ("Facility") out of which the term loan of HK\$7,000 million was outstanding as at 31 December 2007. The Facility is for a term of five years and bears interest at a variable rate. 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 the 2% guaranteed convertible bonds due 2011 ("Bonds") in an aggregate principal amount of HK\$765 million in December 2006.

The Bonds feature a yield to maturity of 4.15% per annum, a coupon of 2% per annum and are convertible into units of Champion REIT at an adjusted conversion price of HK\$4.55 per unit.

As at 31 December 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 26.1%. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 34.2%.

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

As at 31 December 2007, net assets attributable to unitholders was HK\$19,544.3 million, an increase of HK\$2,981.5 million over that of HK\$16,562.8 million at year-end 2006. Net asset value per unit as at 31 December 2007 was HK\$6.98. This compares with an NAV per unit of HK\$6.44 as at 30 June 2007 and HK\$6.04 as at the end of 2006. This was mainly due to an increase in the valuation of the Trust's stake in Citibank Plaza of HK\$3,559.4 million,

not taking into account the addition of properties acquired during the year.

The value of properties held by the trust at the end of the year amounted to HK\$28,343 million.

CASH POSITION

As at 31 December 2007, Champion REIT had a HK\$604.9 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 31 December 2007, certain properties of Champion REIT with a fair value of HK\$27,059.4 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\$1,283.6 million were mortgaged to the Bond Trustee to secure the obligations of the issuer of the Bonds under the Bonds.

RENTAL STABILIZATION ARRANGEMENT

A shortfall had arisen under a rental stabilization arrangement ("Arrangement") pursuant to a sale and purchase agreement dated 11 December 2006 ("Agreement") for the

acquisition of 3 floors and certain carparking spaces in Citibank Plaza, resulting in a payment of approximately HK\$28,622,000 to Champion REIT.

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 and was less than the pro-rated stabilization amount for such period of approximately HK\$29,976,000. In respect of the period from 1 July 2007 to 31 December 2007, the actual New Property Income was equivalent to approximately HK\$19,922,000 and was less than the stabilization amount of each semi-annual period of HK\$30,992,000. Accordingly, under the Arrangement, sums of approximately HK\$17,552,000 and HK\$11,070,000 were paid to the Trust out of the designated escrow account on 3 July 2007 and 31 December 2007 respectively.

In the opinion of the independent non-executive directors of the REIT Manager, the Vendor or the Guarantor, being Fair Page Limited and Kerry Properties Limited respectively, have fulfilled their obligations under the Arrangement for the financial year ended 31 December 2007.

MAJOR ESTATE AGENTS AND CONTRACTORS

The top five real estate agents and contractors and their respective value of service were as follows:

Real Estate Agents and Contractors	Nature of Service	Value of Contract	Relevant Cost
		HK\$	%
The Great Eagle Properties Management Company, Limited	Building management	88,656,000	65.5
Eagle Property Management (CP) Limited	Leasing and marketing	35,236,000	26.1
Wai Hung Hong Construction Co. Ltd.	Repairs and maintenance	2,761,000	2.0
The Great Eagle Engineering Company Limited	Repairs and maintenance	1,891,000	1.4
Toptech Co. Limited	Rapairs and maintenance	1,456,000	1.1
Total		130,000,000	96.1

NEW UNITS ISSUED

During the year, an aggregate of 58,725,930 new units were issued of which (i) 50,880,000 new units 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; and (ii) 7,845,930 new units were issued on 23 August 2007 to the REIT Manager at the price of HK\$4.00 per Unit (being the Market Price ascribed in the trust deed constituting Champion REIT) as payment in full of the manager's fee of approximately HK\$31,384,000 payable by Champion REIT for the six months ended 30 June 2007.

SUMMARY OF REAL ESTATE SALES AND PURCHASES

During the year, 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 pursuant to the Agreement 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.

In connection with the proposed acquisition of the retail, carpark and certain office portions of Langham Place, on 14 February 2008, Champion REIT entered into sale and purchase agreements ("Agreements") with The Great Eagle Company, Limited ("GE Co"), Acefield Investments Limited and Truefaith Developments Limited (all being connected persons for Champion REIT within the meaning of the Code on Real Estate Investment Trusts) whereby Champion REIT agreed to acquire all the issued shares of Renaissance City Development Company Limited ("Renaissance"), Ernest Limited and Best Noble Enterprises Limited and the shareholder's loan owing by Renaissance to GE Co subject to, among other things, the satisfaction or waiver of conditions precedent as set out in the Agreements ("LP Acquisition") and the passing of the ordinary resolution of the extraordinary general meeting ("EGM Resolution"). For the details of the LP Acquisition,

please refer to the unitholders' circular dated 16 February 2008. The EGM Resolution was passed on 6 March 2008.

On the same date, the REIT Manager, the Trustee and each of the Distribution Entitlement Waiver parties, being Top Domain International Limited, Fortune Mega Investments Limited and Wing Tai Corporation Limited, entered into a Deed of Amendment of Distribution Entitlement Waiver Deed, whereby the parties agreed to terminate the undertakings of Top Domain International Limited, relating to the distribution for the period from 1 January 2008 to 31 December 2008, effective as of and conditional upon completion of the LP Acquisition. Payment made by Top Domain International Limited in respect of the amendment of the Distribution Entitlement Waiver Deed is initially estimated to be HK\$97 million, subject to adjustment as more particularly set out in the unitholders' circular dated 16 February 2008.

EMPLOYEES

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

REVIEW OF RESULTS

The audited annual results for the year ended 31 December 2007 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

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)

10 March 2008

Dear Sirs

RE: VARIOUS PORTIONS IN CITIBANK PLAZA (SET OUT IN THE ATTACHED VALUATION CERTIFICATE), 3 GARDEN ROAD, CENTRAL, HONG KONG ("PROPERTY")

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the 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 2007 (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.



23/F Two Exchange Square
Central, Hong Kong

EA LICENCE: C-023750
T: (852) 2801 6100
savills.com

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 to be 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 income 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\$130 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 4.75% and 4.5% 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 using the Income Capitalization Approach. In this regard, comparable sales transactions of retail properties in Central District are collected and analyzed each in terms of a price per square footage which are in the range of HK\$6,000 to HK\$80,000 per sq.ft. of Gross Rentable Area. Moreover, comparable sales transactions of both en-bloc and strata-title Grade A office premises in Central District around the Valuation Date are collected and analyzed each in terms of a price per square footage which are in the range of HK\$9,000 to HK\$19,000 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.

valuation report

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 tests 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

* Mr. Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 23 years experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2007</u>	<u>Estimated Net Property Yield</u>																														
<p>Various Portions in Citibank Plaza, 3 Garden Road, Central, Hong Kong (See Note 1)</p> <p>1,389,185/1,650,000th undivided parts or shares of and in Inland Lot No. 8888.</p>	<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 style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Total Floor Area</th> </tr> <tr> <th style="text-align: left;">Use</th> <th style="text-align: center;">sq.m.</th> <th style="text-align: center;">sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td style="text-align: right;">5,362.41</td> <td style="text-align: right;">57,721</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">139,498.05</td> <td style="text-align: right;">1,501,557</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">144,860.46</td> <td style="text-align: right;">1,559,278</td> </tr> </tbody> </table> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Gross Rentable Area</th> </tr> <tr> <th style="text-align: left;">Use</th> <th style="text-align: center;">sq.m.</th> <th style="text-align: center;">sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td style="text-align: right;">3,956.99</td> <td style="text-align: right;">42,593</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">108,722.50</td> <td style="text-align: right;">1,170,289</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">112,679.49</td> <td style="text-align: right;">1,212,882</td> </tr> </tbody> </table> <p>The Property also includes 58 private car parking spaces and a fee paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.</p>	Total Floor Area			Use	sq.m.	sq.ft.	Retail	5,362.41	57,721	Office	139,498.05	1,501,557	Total	144,860.46	1,559,278	Gross Rentable Area			Use	sq.m.	sq.ft.	Retail	3,956.99	42,593	Office	108,722.50	1,170,289	Total	112,679.49	1,212,882	<p>The retail portion of the Property is let under seven tenancies for various terms with the last expiry date in December 2010, yielding a total monthly rental income of approximately HK\$1.05 million exclusive of rates, management and air conditioning charges. Except for one shop unit, the tenancies are subject to turnover rent. The average monthly turnover rent receivable from January 2007 to December 2007 is approximately HK\$158,000.</p> <p>The office portion of the Property is let under various tenancies for various terms with the last expiry date in May 2014, yielding a total monthly rental income of approximately HK\$78.1 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 prevailing market rents.</p> <p>The current occupancy rate of the Property (excluding car parking spaces and miscellaneous areas) is approximately 96.9%.</p>	<p>HK\$28,343,000,000</p>	<p>3.46%</p>
Total Floor Area																																		
Use	sq.m.	sq.ft.																																
Retail	5,362.41	57,721																																
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VALUATION CERTIFICATE (Continued)

Description and tenure

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 Conveyancing 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.

Particulars of occupancy

A total of 500 carparks and 50 motorcycle parking spaces are being operated as a fee-paying public carpark and the remaining 58 carparks are occupied as private carparks and let under various licences. The total average monthly income from December 2006 to November 2007 is approximately HK\$1,000,000 inclusive of rates, management and utility charges.

Various spaces for cellular phone systems are let under three licences for various terms with the last expiry date in September 2009, yielding a total monthly licence fee of approximately HK\$61,000 exclusive of rates, management and utility charges.

A satellite phone antenna, various advertising spaces and the naming rights of Citibank Tower and ICBC Tower are licensed under various licences for terms 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.

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 34th Floors, 36th 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, 39 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	<p>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).</p> <p>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).</p> <p>Restaurant and Shops 1 to 4 on Lower Ground Floor of the development.</p> <p>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.</p> <p>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).</p>
Maple Court Limited	<p>29th to 30th Floors and Portion B on 31st Floor of Citibank Tower</p> <p>Private car parking space nos. 21 to 22 on Basement 2 of the development.</p>
Panhy Limited	<p>Portion A on 31st Floor and 32nd to 33rd Floors of Citibank Tower.</p> <p>Private car parking space nos. 42 to 44 on Basement 2 of the development.</p>
Well Charm Development Limited	38th Floor of Citibank Tower.

valuation report

VALUATION CERTIFICATE (Continued)

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.
Elegant Wealth Limited	34th, 36th and 37th Floors of Citibank Tower. Private parking space nos. 39 to 41 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 Except for the portion of the Property held by Elegant Wealth Limited, the Property is subject to a legal charge and debenture in favour of Hang Seng Bank Limited.
- 10 The portion of the Property held by Elegant Wealth Limited is subject to a mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited.
- 11 The Property lies within an area zoned "Commercial" under Central District Outline Zoning Plan.
- 12 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.
- 13 The breakdown of our valuation in respect of different uses is set out below:-

Use	Market Value as at 31 December 2007
Retail	HK\$331,500,000
Office	HK\$27,400,300,000
Carpark	HK\$265,500,000
Miscellaneous	HK\$345,700,000
Total	HK\$28,343,000,000

- 14 Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile as at 31 December 2007 (excluding car parking spaces and miscellaneous areas) is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	1,175,087	96.9
Vacant	37,795	3.1
Total	1,212,882	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2002	120,728	10.3	5,191,304	6.6	2	1.7
2004	340,891	29.0	28,125,892	35.6	7	5.8
2005	199,611	17.0	6,990,091	8.8	23	19.0
2006	200,408	17.0	12,267,767	15.5	35	28.9
2007	313,449	26.7	26,543,030	33.5	54	44.6
Total	1,175,087	100	79,118,084	100	121	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Monthly	30,517	2.6	400,000	0.5	1	0.8
2007	817	0.1	31,046	0.0	1	0.8
2008	164,796	14.0	9,407,362	11.9	36	29.8
2009	122,491	10.4	9,483,826	12.0	28	23.1
2010	447,737	38.1	35,502,570	44.9	32	26.4
2011 [#]	230,922	19.7	11,588,682	14.6	15	12.4
2012	26,421	2.2	2,097,140	2.7	2	1.7
2013	41,053	3.5	1,339,354	1.7	2	1.7
2014	110,333	9.4	9,268,104	11.7	4	3.3
Total	1,175,087	100	79,118,084	100	121	100

[#]21,155 sq.ft. out of 230,922 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 230,922 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	2.6	400,000	0.5	1	0.8
1	20,157	1.7	1,663,927	2.1	7	5.8
2	157,366	13.4	11,995,374	15.2	34	28.1
3	256,867	21.8	17,319,769	21.9	45	37.2
4	75,487	6.4	5,397,795	6.8	8	6.6
5	54,442	4.6	3,912,997	4.9	6	4.9
6	300,387	25.6	22,455,675	28.4	12	9.9
7	10,322	0.9	443,846	0.6	1	0.8
8	41,053	3.5	1,339,354	1.7	2	1.7
9	123,053	10.5	5,385,441	6.8	3	2.5
10	105,436	9.0	8,803,906	11.1	2	1.7
Total	1,175,087	100	79,118,084	100	121	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 3 times between 1980 and 2006.

At the end of 2006, 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 22 per cent of total office stock of all grades and 27 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 58 per cent of total Grade 'A' office stock at the end of 2006.

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.

According to the provisional figures of Rating and Valuation Department, the average Grade 'A' office rent rose by around 110 per cent from the end of September 2003 to the end of August 2007 and even more dramatic growth of around 199 per cent was noted in Central.

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. Although in the face of rising interest rate, some signs of slowdown were observed in 2H/05, when prime lending rate increased from 5.75 per cent to 7.75 per cent, the overall growth momentum remained strong in 2005. Further price increments were recorded in 2006 and the first eight months of 2007 with investment sentiment becoming hot again as interest rates trended downwards (prime lending rate decreased to 7.5 per cent), and from the trough in May 2003 to the end of August 2007, Grade 'A' office sales prices increased by 199 per cent¹.

Supply²

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 2001 and 2006 stood at 1.4 million sq.ft. per annum, significantly below the 1991 to 2000 average of 3.1 million sq.ft. per annum. Forecast supply of Grade 'A' offices between 2007 and 2011 is expected to reach approximately 10.3 million sq.ft., or 2.1 million sq.ft. per annum, below the 10-year average supply of 2.3 million sq.ft. recorded between 1997 and 2006 and below 10 year average take-up of 2.2 million sq.ft. per annum over the same period.

New supply of offices is expected to remain at low levels over the next few years, particularly for Grade 'A' offices in the core areas of Central, Wanchai / Causeway Bay, Tsimshatsui and the emerging Kowloon Station. The total supply of Grade 'A' offices between 2007 and 2011 is expected to reach approximately 10.3 million sq.ft., or 2.1 million sq.ft. per annum, which is below the 10-year average take-up of 2.2 million sq.ft. recorded between 1997 and 2006.

It is noteworthy that much of the new supply (around 75% from 2007 to 2011 or 7.7 million sq.ft.) will come on stream outside the core business districts of Central, Wanchai / Causeway Bay, Tsimshatsui and Kowloon Station. The largest supply to come on stream in core business districts will be the phased completion of International Commerce Centre in Kowloon Station, which will provide a total of 1.8 million sq.ft. of office space by 2010.

Notably, three Grade 'A' office buildings are scheduled for completion in Central in 2011, namely Ritz-Carlton Hotel Redevelopment, Luk Hoi Tong Building Redevelopment and Crocodile House & Ananda Tower Redevelopment, with a total area of around 430,000 sq.ft.

Given the tight 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. Nevertheless, the substantial supply coming on stream in Kowloon East and Kowloon West may provide more choices for tenants currently located in core areas outside Central, especially Tsimshatsui and Island East, given their proximity.

¹ Source: Rating and Valuation Department

² All areas in sq.ft. net unless otherwise stated

valuation report

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 2.5 per cent in August 2007, while vacancy in the Central Grade 'AAA' office sector declined to a frictional level of below 1 per cent³. 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 5.0 per cent per annum over the period from 2007 to 2011⁴. While new supply of offices is not expected to match demand over the period as a whole, high supply levels of 4.5 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 completed, 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.

³ Source: Savills estimates

⁴ Source: Consensus Economics, April 2007

rent review 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")



23/F Two Exchange Square
Central, Hong Kong

EA LICENCE: C-023750
T: (852) 2801 6100
savills.com

10 March 2008

Dear Sirs

RE: VARIOUS PORTIONS IN CITIBANK PLAZA, 3 GARDEN ROAD, CENTRAL, HONG KONG

We refer to the captioned and set out below a table providing a summary of the tenancies as at 31 December 2007 which are scheduled for rent review for the periods indicated:

Period	Number of tenancies subject to rent review	Gross Rentable Area of tenancies subject to rent review	Tenancies subject to rent review as a percentage of total leased area	Total monthly rent of tenancies subject to rent review
		sq.ft.	%	HK\$
2008	12	239,114*	20.3	10,837,572
2009	3	50,239	4.3	3,205,386
2010	6	130,226	11.1	11,138,096

*Note: 21,155 sq.ft. out of 239,114 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 239,114 sq.ft. is based on the assumption that the above option is exercised.

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

trustee's report

**TO THE UNITHOLDERS OF
CHAMPION REAL ESTATE INVESTMENT TRUST**

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

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006 and the second supplemental deed dated 4 February 2008 for the financial year ended 31 December 2007.

HSBC Institutional Trust Services (Asia) Limited

(in its capacity as the trustee of Champion Real Estate Investment Trust)

Hong Kong, 10 March 2008

corporate governance report

Champion REIT is committed to attaining best practices and standards and has in place strict corporate governance procedures to ensure that the REIT Manager carries out its fiduciary and other duties. The corporate governance framework emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with provisions of the Code on Real Estate Investment Trusts, the Trust Deed constituting Champion REIT and other relevant regulations and sound operating and investing procedures. The REIT Manager has adopted its compliance manual (“Compliance Manual”) for use in relation to the management and operation of Champion REIT, which sets out the key processes, systems and measures and certain corporate governance policies and procedures to be applied for compliance with all applicable regulations and legislation. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the REIT Manager and Champion REIT.

AUTHORISATION STRUCTURE

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the Securities and Futures Commission (“SFC”) under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and regulated by SFC pursuant to the provisions of SFO and the Code on Real Estate Investment Trusts (“REIT Code”), the Listing Rules and the Listing Agreement. The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Mr. Stewardson, Jeremy Bellinger, the Chief Executive Officer and Executive Director, Mr. Choo Chong Yao, Patrick, the Chief Investment Officer, and Mr. Kwong Chi Kwong, the Chief Operating Officer are the responsible officers of the REIT Manager pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code.

HSBC Institutional Trust Services (Asia) Limited (“Trustee”) is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong). The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

ROLES OF THE TRUSTEE AND THE REIT MANAGER

The Trustee and the REIT Manager are independent of each other. Under the trust deed dated 26 April 2006 as supplemented by a first supplemental deed dated 5 December 2006 and a second supplemental deed dated 4 February 2008 (“Trust Deed”), the Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders. The REIT Manager’s role under the Trust Deed is to manage Champion REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Champion REIT’s assets are professionally managed in the sole interests of Unitholders.

FUNCTIONS OF THE BOARD OF DIRECTORS OF THE REIT MANAGER

The Board principally oversees the day-to-day management of the REIT Manager’s affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board exercises its general powers within the limits defined by the Articles of Association, with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the REIT Manager. In accordance with the REIT Code, the REIT Manager is required to act in the best interests of Unitholders, to whom it owes a fiduciary duty.

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors. Pursuant to the REIT Manager’s corporate governance policy, Independent Non-executive Directors (“INEDs”) must be individuals who fulfill the independence criteria set out in the Compliance Manual.

corporate governance report

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a Non-executive Director of the REIT Manager;
- the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and
- at least one-third, and a minimum of three members, of the Board should be INEDs.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board presently comprises eight members, three of whom are INEDs. All Directors shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election in accordance with the articles of association of the REIT Manager.

During the year, Mr. Ang Keng Lam resigned as a Non-executive Director of the REIT Manager on 12 June 2007 whereas Mr. Ho Shut Kan was appointed a Non-executive Director of the REIT Manager on the same date. Professor K.C. Chan (Chan Ka Keung, Ceajer) resigned as an INED of the REIT Manager on 1 July 2007.

The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Lo Ka Shui who is a Non-executive Director. The Chief Executive Officer is Mr. Stewardson, Jeremy Bellinger who is an Executive Director.

The Audit Committee of the REIT Manager has received written annual confirmation from each INED of his independence pursuant to the "Criteria for Independence of INEDs" as set out in the Compliance Manual.

During the year, four board meetings were held on 15 March 2007, 11 June 2007, 8 August 2007 and 3 October 2007 and the attendance at the four meetings were 78%, 78%, 75% and 86% respectively.

Audit Committee

The REIT Manager established an Audit Committee on 28 March 2006. The Audit Committee is appointed by the Board of Directors from among the Non-executive Directors of the REIT Manager; a majority of the members of the Audit Committee are required to be INEDs. The Audit Committee comprises two INEDs (namely, Mr. Eldon, David Gordon and Mr. Shek Lai Him, Abraham) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Eldon, David Gordon is the Chairman of the Audit Committee.

The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- (a) reviewing external audit reports to ensure that, where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- (b) monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules");
- (c) reviewing all financial statements and all internal audit reports;

- (d) monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Champion REIT and a “connected person” (as defined in the REIT Code); and
- (e) making recommendations to the Board on persons for appointment and reappointment as Directors to, and persons for removal as Directors from, the full Board.

During the year, two meetings of the Audit Committee were held on 15 March 2007 and 8 August 2007 and the attendance at the two meetings were 80% and 100% respectively.

Disclosures Committee

The REIT Manager established a Disclosures Committee on 28 March 2006. The Disclosures Committee is appointed by the Board of Directors from among the Directors. The Disclosures Committee consists of Mr. Shek Lai Him, Abraham, an INED, Dr. Lo Ka Shui, the Chairman and a Non-executive Director and Mr. Stewardson, Jeremy Bellinger, the Chief Executive Officer and Executive Director. Mr. Stewardson, Jeremy Bellinger acted as Chairman of the Disclosures Committee. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete.

The Disclosures Committee’s responsibilities include:

- (a) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions, and potential areas of conflict of interests;
- (b) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Champion REIT to the public and applicable regulatory agencies;
- (c) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Champion REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable; and
- (d) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies.

During the year, two meetings of the Disclosures Committee were held on 15 March 2007 and 8 August 2007 and the attendance at the two meetings were 100%.

MANAGEMENT OF BUSINESS RISK

The Board will meet quarterly or more often if necessary and will review the financial performance of the REIT Manager and Champion REIT against a previously approved budget. The Board will also reviewed any risks to assets of Champion REIT, examine liability management and will act upon any comments from the auditors of Champion REIT.

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. It will review management reports and feasibility studies on individual development projects prior to approving major transactions.

CONFLICTS OF INTEREST AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED

Great Eagle Holdings Limited (“Great Eagle”), which is headquartered in Hong Kong, is engaged principally in property development, management and investment in the office, retail and hotel sectors in Hong Kong. It also invests in office properties in the United States, and invests in and manages hotels in North America, Europe, Australia and New Zealand.

There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things, investment in, and the development and management of, properties in the office, retail, residential and hotel sectors in Hong Kong and elsewhere.

In addition, there may be potential conflicts of interests between Great Eagle and Champion REIT in respect of the performance of estate management services in relation to Citibank Plaza or other properties that may be acquired by Champion REIT, as the REIT Manager, Eagle Property Management (CP) Limited (“Property Manager”), Longworth Management Limited (“DMC Manager”), The Great Eagle Properties Management Company, Limited (appointed by the DMC Manager) (“DMC Sub-manager”) are each a wholly-owned subsidiary of Great Eagle and two members of the Board are directors of Great Eagle and/or its affiliated companies.

The REIT Manager has instituted the following procedures to deal with conflicts of interests issues:

- (a) The REIT Manager is a dedicated manager to Champion REIT and will not manage any other real estate investment trust or be involved in any other real property business.
- (b) The majority of the Board are not related to Great Eagle and the INEDs will act independently for the interests of Champion REIT. Furthermore, the management structure of the REIT Manager includes the Audit Committee and the Disclosures Committee to promote a high level of corporate governance and address any potential conflicts of interests with Great Eagle. In addition, the REIT Manager has adopted the Compliance Manual which sets out detailed compliance procedures in connection with its operations.
- (c) The REIT Manager has a team of full-time senior management and employees that operates independently of Great Eagle.
- (d) All connected party transactions are managed in accordance with the procedures set out in the REIT Code, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Champion REIT.

In respect of matters in which a Director has an interest, direct or indirect, in any contract or arrangement to which Champion REIT (whether through the REIT Manager or the Trustee) is a party, such interested Director shall disclose his interest to the Board and abstain from voting at a meeting of the Directors at which the relevant matters are to be decided.

With respect to estate management services, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT. Further, given the extensive experience of the DMC Manager and the DMC Sub-manager in the estate management of Citibank Plaza, the REIT Manager considers that it is in the interest of Champion REIT for the existing estate management arrangements to continue. Although the DMC Manager is also currently the manager of the office block in Langham Place which is majority owned by Great Eagle, the DMC Manager does not have a substantive role in property management of Citibank Plaza as such functions have been delegated to the DMC Sub-manager. The DMC Sub-manager currently has a team of more than 40 full time staff exclusively dedicated to carrying out property management services in respect of Citibank Plaza with a separate office location and IT system.

With respect to leasing and marketing functions, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT because the Property Manager provides property management services (including leasing and marketing functions) in respect of Citibank Plaza exclusively and will not perform any property management functions in respect of Great Eagle's properties. The Property Manager has an office location that is separate from the other Great Eagle entities that perform leasing and marketing functions in respect of other properties held by Great Eagle. To ensure that there is segregation of information between the Property Manager and other Great Eagle entities, the Property Manager has its own database with access and security codes different from those of Great Eagle.

GENERAL MEETINGS

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the REIT Manager may at any time convene a meeting of Unitholders. The REIT Manager will also convene a meeting of Unitholders if requested in writing by not less than two Unitholders registered as holding together not less than 10% of the Units for the time being in issue and outstanding. Except as otherwise provided by in the Trust Deed, at least 14 days' notice of the meeting will be given to Unitholders where an Ordinary Resolution is proposed for consideration at such meeting, and at least 21 days' notice will be given to Unitholders where a Special Resolution is proposed for consideration at such meeting, and the notice will specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units for the time being in issue and outstanding.

For a meeting at which Unitholders have a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the REIT Manager (where the Unitholder(s) concerned is (are) not connected persons related to the REIT Manager) or the Trustee (where the Unitholder(s) concerned is (are) connected persons related to the REIT Manager), if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase his holdings of Units by more than his pro rata share, such Unitholders shall be prohibited from voting their own Units at such meeting or being counted in the quorum for such meeting.

At any meeting, a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder provided such Units are fully paid-up. Votes cast by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted. On a poll, votes may be given either personally or by proxy. The form of the instrument of proxy used shall be in accordance with the form illustrated in the Trust Deed or in any other form which the Trustee shall approve.

Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorize any person to act as its representative at any meeting of Unitholders. A person so authorized shall have the same rights and powers as if he were an individual Unitholder.

REPORTING AND TRANSPARENCY

Champion REIT will prepare its accounts in accordance with Hong Kong GAAP with a financial year end of 31 December and a financial half-year end of 30 June. In accordance with the REIT Code, the annual report and accounts for Champion REIT will be published and sent to Unitholders no later than four months following each financial year-end and the interim results no later than two months following each financial half year.

corporate governance report

The REIT Manager will furnish to Unitholders notices of meetings of Unitholders, announcements relating to Champion REIT, circulars in respect of transactions that require Unitholders' approval or information that is material in relation to Champion REIT (such as connected party transactions, transactions that exceed a stated percentage threshold, a material change in Champion REIT's financial forecasts, an issue of new Units or a valuation of real estate held by Champion REIT). Under the Trust Deed, the REIT Manager is required to keep Unitholders informed of any material information pertaining to Champion REIT in a timely and transparent manner as required by the REIT Code.

ISSUES OF FURTHER UNITS POST-LISTING

To minimize the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code and the Trust Deed. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments (as defined in the Trust Deed) otherwise than on a pro rata basis to all existing Unitholders and without the approval of Unitholders if:

- (a) the total number of new Units issued, or agreed (conditionally or unconditionally) to be issued, in that financial year, without taking into account:
 - (1) any new Units issued or issuable in that financial year pursuant to any Convertible Instruments issued (whether in that or any prior financial year) pursuant to and in compliance with Clause 7.1.6 of the Trust Deed, to the extent that such new Units are covered by the aggregate number of new Units contemplated under Clause 7.1.6(i)(b) of the Trust Deed at the Relevant Date (as defined in the Trust Deed) applicable to the relevant Convertible Instruments;
 - (2) such number of new Units issued or issuable pursuant to any such Convertible Instruments as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;
 - (3) any new Units issued in that financial year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under Clause 7.1.6(i)(a) of the Trust Deed (whether in that or any prior financial year) at the Relevant Date applicable to that agreement; and/or
 - (4) any new Units issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and in respect of which the specific prior approval of Unitholders in accordance with the relevant requirements of the Trust Deed and under applicable laws and regulations (including the REIT Code) has been obtained;

PLUS

- (b) (1) the maximum number of new Units issuable at the Initial Issue Price (as defined in Clause 7.2.2 of the Trust Deed) pursuant to any Convertible Instruments issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and whose Relevant Date falls within that financial year; and
- (2) the maximum number of any other new Units which may be issuable pursuant to any such Convertible Instruments as at the Relevant Date thereof as estimated or determinable by the REIT Manager in good faith and using its best endeavours and confirmed in writing to the Trustee and the SFC, having regard to the relevant terms and conditions of such Convertible Instruments (including any additional new Units issuable under any adjustment mechanism thereunder other than adjustments arising from the consolidation or sub-division or re-designation of Units),

does not increase the number of Units that were outstanding at the end of the previous financial year (or, in the case of an issue of, or an agreement (whether conditional or unconditional) to issue, Units or Convertible Instruments during the first financial year, the number of Units that were outstanding as of the Listing Date) by more than 20% (or such other percentage of outstanding Units as may from time to time, be prescribed by the SFC).

In circumstances where pre-emption rights apply, only to the extent that the Units offered are not taken up by such holders may they be allotted to or issued to other persons or otherwise than pro rata to their existing holdings.

Any issue, grant or offer of Units or Convertible Instruments to a connected person of Champion REIT will require specific prior approval of Unitholders by way of an Ordinary Resolution in respect of which the connected person shall be prohibited from voting or being counted in the quorum for the meeting of the Unitholders, unless such issue, grant or offer is made under the following circumstances (where, for the avoidance of doubt, no Unitholders' approval will be required):

- (a) the connected person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (b) Units are issued to a connected person under Clause 11.1.1 of the Trust Deed in or towards the satisfaction of the REIT Manager's fees; or
- (c) Units and/or Convertible Instruments are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units and/or Convertible Instruments to or with any person(s) who is/are not its associate(s) (other than any Excluded Associate (as defined in the Trust Deed)), provided always that (i) the new Units and/or Convertible Instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of the placing); and (ii) the number of Units and/or Convertible Instruments issued to the connected person must not exceed the number of Units and/or Convertible Instruments placed by it.

Where the issue of Units would give rise to a conflict of interest on the part of the REIT Manager or its connected persons, the REIT Manager and its connected persons shall abstain from voting in relation to any issuance of Units.

DISTRIBUTION

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the Trust Deed, the REIT Manager is required to distribute to Unitholders each year an amount not less than 90% of Annual Distributable Income (as defined in the Trust Deed) for the financial year. It is the REIT Manager's current policy to distribute to Unitholders as dividends an amount equal to 100% of Champion REIT's Annual Distributable Income for each financial year.

INTEREST OF, AND DEALINGS IN UNITS BY, DIRECTORS, THE REIT MANAGER OR THE SIGNIFICANT UNITHOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code governing dealings in the securities of Champion REIT by the Directors and the REIT Manager (the "Governing Code") equivalent to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this Governing Code, any Directors or the REIT Manager wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorized disclosure of confidential information or make any use of such information for the advantage of himself or others.

corporate governance report

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Champion REIT's securities for a similar period.

Similarly, where the REIT Manager is in possession of any unpublished price-sensitive information, it must refrain from dealing in the Units as soon as it becomes aware of, or privy to, such information until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules.

During the period commencing one month immediately preceding the earlier of the date of the board meeting for the approval of Champion REIT's results for any period as required under the REIT Code and the deadline for Champion REIT to publish an announcement of its results for any period as required under the REIT Code, and ending on the date of the results announcement, a Director or the REIT Manager must not deal in any Units unless the circumstances are exceptional, for example, the exceptional circumstances as described in Rule C 14 of Appendix 10 to the Listing Rules. In any event, in the case of dealings by a Director or the REIT Manager, the Directors or the REIT Manager must comply with the procedure set out in the Governing Code.

The above codes of good practice may also be extended to senior executives, officers and other employees of the REIT Manager as the Board may determine.

The REIT Manager has also adopted procedures for the monitoring of disclosure of interests by Directors, the Chief Executive Officer of the REIT Manager, and the REIT Manager. The provisions of Part XV of the SFO shall be deemed to apply to the REIT Manager, the Directors and Chief Executive Officer of the REIT Manager and each Unitholder and all persons claiming through or under them.

Under the Trust Deed and by virtue of the deemed application of Part XV of the SFO, Unitholders will have a notifiable interest if their holdings of Units reach or exceed the notifiable percentage level (as defined in the SFO for the purposes of Part XV of the SFO) i.e. 5% of the Units then in issue, and will be required to notify The Stock Exchange of Hong Kong Limited and the REIT Manager of their holdings in Champion REIT. The REIT Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the REIT Manager.

CONFIRMATION OF COMPLIANCE WITH THE GOVERNING CODE

Specific enquiry has been made with the Directors and the REIT Manager and they have confirmed that they complied with the required standards set out in the Governing Code.

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. Such matters include:

- (a) change in the REIT Manager's investment policies/strategies for Champion REIT;
- (b) disposal of any real estate investment of Champion REIT or shares in any special purpose vehicles holding such real estate investment within two years of acquisition;
- (c) any increase in the rate of the REIT Manager's fees above the permitted limit or changing the structure of the REIT Manager's fees;
- (d) any increase in the rate of the Trustee's fees above the permitted limit or change in the structure of the Trustee's fees;
- (e) certain modifications of the Trust Deed;
- (f) termination of Champion REIT;
- (g) merger of Champion REIT;
- (h) removal Champion REIT's auditors and appointment of new auditors; and
- (i) removal of the Trustee or the REIT Manager.

As stated above, the quorum for passing a Special Resolution is two or more Unitholders present in person or by proxy registered as holding not less than 25% of the units in issue and outstanding. A Special Resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting and the votes shall be taken by way of poll.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Under the Trust Deed, the REIT Manager is not permitted to repurchase or redeem any of the Units in Champion REIT until permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. During the year ended 31 December 2007, there was no purchase, sale or redemption of the 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 were held in public hands as of 31 December 2007.

COMPLIANCE

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

connected party transactions

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

CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP AND/OR THE SFK CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group during the year.

Great Eagle Connected Persons Group means Great Eagle Holdings Limited ("Great Eagle") or any person who is connected person of Champion REIT as a result of its relationship with Great Eagle.

SFK Connected Persons Group means Sun Fook Kong Holdings Limited ("SFK") or any person who is a connected person of Champion REIT as a result of its relationship with SFK.

Connected Party Transaction - Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Leasing/licensing income for the year	Rental deposit received as at 31/12/2007
			HK\$	HK\$
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction	6,216,000	Note 1
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction and car parking fee	1,317,000	373,000
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction	636,000	30,000 ²
China Mobile Peoples Telephone Company Limited	Associate of a Director ³	Licence fee	203,000	34,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	147,000	N/A
Advanced Cardiac Care Limited	Controlling entity of a significant holder ⁴	Car parking fee	49,000	N/A
Total			8,568,000	437,000

Notes

- 1 By a bank guarantee of approximately HK\$2,112,000.
- 2 By an additional 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 Ka Shui is also an independent non-executive director of China Mobile Limited, the holding company of China Mobile Peoples Telephone Company Limited.
- 4 Advanced Cardiac Care Limited is controlled by Dr. Lo Ying Sui, Archie and his associates. Dr. Lo Ying Sui, Archie is a connected person of Champion REIT by virtue of his being a controlling entity of the significant holder.

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 year
			HK\$
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	15,873,000
Longworth Management Limited ⁵	Subsidiary of Great Eagle	Remuneration of DMC Manager	11,567,000
G E Advertising Agency Limited	Subsidiary of Great Eagle	Advertising expenses	40,000
The Great Eagle Insurance Agency Limited	Subsidiary of Great Eagle	Insurance fee	1,417,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Cleaning services	3,753,000
Total			32,650,000

Note

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

connected party transactions

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 year	Deposits paid as at 31/12/2007
			HK\$	HK\$
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income	3,334,000	N/A
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income	138,000	N/A
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Building management fee income	99,000	N/A
The Great Eagle Properties Management Company, Limited ⁶	Subsidiary of Great Eagle	Building management fee expense	88,656,000	14,387,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing and marketing services	35,236,000	N/A
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,456,000	N/A
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,891,000	N/A
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	6,000	N/A
The Great Eagle Insurance Agency Limited	Subsidiary of Great Eagle	Insurance fee paid	581,000	N/A
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Repair and maintenance services	1,000	N/A
Total			131,398,000	14,387,000

Note

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

Others

During the year, an acquisition fee of HK\$9,946,000 and the manager's fee of HK\$81,654,000 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 year, 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.

The purchase consideration was approximately HK\$994,600,000, of which HK\$259,488,000 was satisfied by way of issuance of 50,880,000 new units to the Vendor or its nominated person upon completion (at an agreed price of HK\$5.10 per unit), and the balance of HK\$735,112,000 of the purchase consideration was satisfied in cash at completion funded by the proceeds from the issue of the convertible bonds.

CONNECTED PARTY TRANSACTIONS WITH THE TRUSTEE AND THE TRUSTEE CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Trustee and/or the Trustee Connected Persons during the year.

Trustee Connected Persons mean the Trustee and companies within the same group or otherwise "associated" with the Trustee within the meaning given in the REIT Code. The Trustee Connected Persons include a director, a senior executive or an officer of any of the Trustee, and a controlling entity, holding company, subsidiary or associated company of the Trustee.

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 (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Champion REIT).

connected party transactions

Connected Party Transactions - Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the year
			HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary bank services	24,759,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest	338,118,000
Total			362,877,000

Note

1 Hang Seng Bank Limited is the facility agent under the term loan and revolving credit facility of HK\$7,200 million ("Facility") of which HK\$7,000 million term loan had been outstanding as at 31 December 2007. Lenders of the Facility include members of the HSBC Group.

Connected Party Transactions - Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the year	Rental deposit received as at 31/12/2007
			HK\$	HK\$
HSBC Group	Trustee Connected Persons	Leasing transaction	15,717,000	3,541,000
HSBC Group	Trustee Connected Persons	Building management fee income	2,990,000	N/A
Total			18,707,000	3,541,000

Connected Party Transactions - Leasing/Licensing Transactions under which the Annual Rent exceeds HK\$ 1 million

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Material Terms	Annual Rent
				HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for the whole of 20th and 21st Floors of Citibank Tower	Term of 5 years and expiry in the first quarter of 2010 Subject to a rent review in the first quarter of 2008 Right by the tenant to terminate the lease with 6 months' notice on or after 01/09/2007	13,400,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for Suites 2001-5 on 20th Floor of ICBC Tower	Same as above	2,317,000

Connected Party Transactions - Corporate Finance Transaction

Both the REIT Manager and the Trustee confirm that there was no corporate finance transaction with the HSBC Group during the year.

Others

During the year, the trustee fee of HK\$5,343,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

CONNECTED PARTY TRANSACTIONS - OTHERS

During the year, the valuation fee of HK\$264,000 had been incurred for services rendered by Savills Valuation and Professional Services Limited as the principal valuer of Champion REIT.

connected party transactions

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE REIT MANAGER

The Independent Non-executive Directors of the REIT Manager confirm that they have reviewed all relevant connected party transactions (including the terms of the transactions with the Trustee Connected Persons and the HSBC Group) during the year as disclosed above and they are satisfied that these transactions have been entered into:-

- (i) in the ordinary and usual course of business of Champion REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Champion REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the REIT Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the unitholders of Champion REIT as a whole.

CONFIRMATION BY THE AUDITORS OF CHAMPION REIT

Pursuant to the waiver from strict compliance with disclosure requirement under Chapter 8 of the REIT Code, the REIT Manager has engaged the auditors of Champion REIT to perform certain factual finding procedures in respect of the leasing/licensing transactions, property management transactions and ordinary banking and financial services (in particular, the connected party transactions relating to rental income, building management fee income, building management fee expense, leasing and marketing service fee, repair and maintenance services fee and insurance fee of the Group, property management transactions incurred from building accounts, and also ordinary banking and financial services) for the year ended 31 December 2007 in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have performed these procedures and reported to the Board of the REIT Manager their factual findings.

UNITHOLDINGS OF CONNECTED PERSONS

As at 31 December 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 Unitholdings
HSBC International Trustee Limited	1,358,152,307 ¹	48.48
Great Eagle Holdings Limited	1,357,341,807 ²	48.45
Jolly Trend Limited	1,357,341,807 ²	48.45
Lo Ka Shui	1,357,341,807 ³	48.45
Lo Ying Sui, Archie	1,357,341,807 ³	48.45
Alfida Limited	1,349,495,877 ⁴	48.17
The Great Eagle Company, Limited	1,349,495,877 ⁴	48.17
Top Domain International Limited	1,349,495,877 ⁴	48.17
Fortune Mega Investments Limited	165,676,151 ⁵	5.93
Julian Holdings Limited	165,676,151 ⁵	5.93
Kerry Group Limited	165,676,151 ⁵	5.93
Kerry Properties Limited	165,676,151 ⁵	5.93
Kerry Properties (Hong Kong) Limited	165,676,151 ⁵	5.93
Kerry Holdings Limited	165,676,151 ⁵	5.93
Spring Capital Holdings Limited	165,676,151 ⁵	5.93
Renowned Development Limited	44,198,781 ⁶	1.58
Wing Tai (Cheng) Holdings Limited	44,198,781 ⁶	1.58
Wing Tai Corporation Limited	44,198,781 ⁶	1.58
Cheng Wai Chee, Christopher	44,198,781 ⁶	1.58
Eagle Asset Management Holdings Limited	7,845,930 ⁷	0.28
Eagle Asset Management (CP) Limited	7,845,930 ⁷	0.28
So Yiu Wah, Eric	240,000 ⁸	0.01
Lee Ching Ming, Adrian	64,000 ⁹	0.002
Chu Shik Pui	8,000 ¹⁰	0.0003
Brett Butcher	2,500 ¹¹	0.00009
Leung Tat Kai, Henry	2,000 ¹²	0.00007

connected party transactions

Notes

- 1 The 1,357,341,807 Units of the 1,358,152,307 Units were duplicate and included in the unitholdings stated against the Unitholders as named in these Notes 2 and 3. 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 and the other Unitholders as named in Notes 2, 4 and 7. 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 HITL was the trustee, HITL's total interest in Great Eagle's shares was more than 33 1/3%. As at 30 June 2007, HITL was deemed to be interested in 1,349,495,877 Units.
- 2 The 1,357,341,807 Units, which were directly held by Top Domain International Limited ("Top Domain") and Eagle Asset Management (CP) Limited ("EAM") altogether, and the 1,357,341,807 Units in which Great Eagle and Jolly Trend Limited ("Jolly Trend") were deemed to be interested, were the same parcel of Units. These Units were duplicate and included in the unitholdings stated against the Unitholders as named in these Notes 1 and 3. Jolly Trend is directly controlled by Great Eagle and is the holding company of both The Great Eagle Company, Limited ("GE Co.") and Eagle Asset Management Holdings Limited ("EAM Holdings") as mentioned in these Notes 4 and 7 respectively. As at 30 June 2007, Great Eagle and Jolly Trend were deemed to be interested in 1,349,495,877 Units.
- 3 The 1,357,341,807 Units, in which Dr. Lo Ka Shui and Dr. Lo Ying Sui, Archie were deemed to be interested, were the same parcel of Units. These Units were duplicate and included in the unitholdings stated against the Unitholders as named in these Notes 1 and 2. Each of Dr. Lo Ka Shui, Dr. Lo Ying Sui, Archie and HITL was deemed to have controlling interests in Great Eagle as mentioned in this Note 1. As at 30 June 2007, Dr. Lo Ka Shui and Dr. Lo Ying Sui, Archie were deemed to be interested in 1,349,495,877 Units.
- 4 The 1,349,495,877 Units, which are directly held by Top Domain and the 1,349,495,877 Units in which Alfida Limited ("Alfida") and GE Co. were deemed to be interested, were the same parcel of Units. These Units were duplicate and included in the unitholdings stated against the Unitholders as named in these Notes 1 to 3. Top Domain is directly controlled by Alfida, which in turn is directly controlled by GE Co.
- 5 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.
- 6 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.
- 7 The 7,845,930 Units, which were directly held by EAM and the 7,845,930 Units in which EAM Holdings were deemed to be interested, were the same parcel of Units. These Units were duplicate and included in the unitholdings stated against the Unitholders as named in these Notes 1 to 3. EAM is a connected person by virtue of its being the management company (as defined under the REIT Code) of Champion REIT. EAM is directly controlled by EAM Holdings. As at 30 June 2007, each of EAM and EAM Holdings did not hold any Units. These Units were issued to EAM on 23 August 2007 as payment of the manager's fee for the services rendered as its capacity being the REIT Manager.
- 8 Mr. So Yiu Wah, Eric, who held 290,000 Units as at 30 June 2007 and his unitholding was decreased to 240,000 Units as at 31 December 2007, was a connected person by virtue of his being a senior executive of Great Eagle.
- 9 Mr. Lee Ching Ming, Adrian was a connected person by virtue of his being a senior executive of Great Eagle.
- 10 Mr. Chu Shik Pui was a connected person by virtue of his being a senior executive of Great Eagle.
- 11 Mr. Brett Butcher was a connected person by virtue of his being a senior executive of Great Eagle.
- 12 Mr. Leung Tat Kai, Henry was a connected person by virtue of his being a senior executive of Great Eagle.

So far as the REIT Manager is aware there was no change in the number of Units held by the connected persons named above (except for Notes 1 to 3, 7 and 8) during the period from 30 June 2007 to 31 December 2007.

Save as disclosed above, none of the REIT Manager, the Directors and the chief executive of the REIT Manager is interested (or deemed to be interested) in Units or the Bonds which are convertible into Units, or holds any short position in Units or in the Bonds, and the REIT Manager is not aware of any connected persons of Champion REIT who are interested (or are deemed to be interested) in Units as at 31 December 2007.

INTERESTS IN THE UNITS OF CHAMPION REIT

As at 31 December 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, 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 them.

Name	Number of Units Held	Percentage of Unitholdings
Interests of Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	1,357,341,807 ³	48.45
Cheng Wai Chee, Christopher	44,198,781 ⁶	1.58
Interests of the REIT Manager		
Eagle Asset Management (CP) Limited	7,845,930 ⁷	0.28
Interests of Unitholders with 5% or more interests		
HSBC International Trustee Limited	1,358,152,307 ¹	48.48
Great Eagle Holdings Limited	1,357,341,807 ²	48.45
Jolly Trend Limited	1,357,341,807 ²	48.45
Lo Ka Shui	1,357,341,807 ³	48.45
Lo Ying Sui, Archie	1,357,341,807 ³	48.45
Alfida Limited	1,349,495,877 ⁴	48.17
The Great Eagle Company, Limited	1,349,495,877 ⁴	48.17
Top Domain International Limited	1,349,495,877 ⁴	48.17
Government of Singapore Investment Corporation Pte Ltd.	252,133,000	9.03
Fortune Mega Investments Limited	165,676,151 ⁵	5.93
Julian Holdings Limited	165,676,151 ⁵	5.93
Kerry Group Limited	165,676,151 ⁵	5.93
Kerry Properties Limited	165,676,151 ⁵	5.93
Kerry Properties (Hong Kong) Limited	165,676,151 ⁵	5.93
Kerry Holdings Limited	165,676,151 ⁵	5.93
Spring Capital Holdings Limited	165,676,151 ⁵	5.93

connected party transactions

Notes

- a Please refer to the respective notes in the previous section headed "Unitholdings of Connected Persons".
- b The interests in Units disclosed in the above represent long positions in Units.

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 holds any short position in Units 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 executive of the REIT Manager had any interests (or deemed to be interested in) or short positions in the Units of Champion REIT or any of its associated corporations (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 them.

financials

70	independent auditor's report
72	consolidated income statement
73	consolidated balance sheet
75	consolidated statement of changes in net assets attributable to unitholders
76	distribution statement
79	consolidated cash flow statement
81	notes to the consolidated financial statements
111	performance table

independent auditor's report



TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST ("CHAMPION REIT")

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

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its controlled entities (collectively referred to as the "Group") set out on pages 72 to 110, which comprise consolidated balance sheet as at 31 December 2007, and consolidated income statement, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGER'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The manager of Champion REIT is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the deed of trust dated 26 April 2006 as amended by a first supplemental deed dated 5 December 2006 and a second supplemental deed dated 4 February 2008 (the "Trust Deed") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance to Appendix C of the Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

10 March 2008

consolidated income statement

For the year ended 31 December 2007

	Notes	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Rental income	7	750,050	291,404
Building management fee income		86,732	47,828
Rental related income	8	2,109	283
Total revenue		838,891	339,515
Property operating expenses	9	(158,445)	(78,648)
Net property income		680,446	260,867
Interest income		24,759	13,196
Manager's fee	10	(81,654)	—
Overprovision of listing expenses in prior period		1,975	—
Listing expenses		—	(16,249)
Trust and other expenses		(10,672)	(5,437)
Increase in fair value of investment properties		3,720,940	827,368
Change in fair value of derivative component of convertible bonds		(23,485)	(740)
Change in fair value of rental stabilisation arrangement		(1,644)	—
Finance costs	11	(379,690)	(197,083)
Profit before tax and distribution to unitholders	12	3,930,975	881,922
Income taxes	13	(693,337)	(156,223)
Profit for the year/period, before distribution to unitholders		3,237,638	725,699
Distribution to unitholders, accrued		(669,822)	(257,039)
Profit for the year/period, after distribution to unitholders		2,567,816	468,660
Basic earnings per unit	14	HK\$1.16	HK\$0.26
Diluted earnings per unit	14	HK\$1.11	HK\$0.26

consolidated balance sheet

As at 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Investment properties	16	28,343,000	23,500,000
Derivative financial instruments	17	646,828	1,042,052
Rental stabilisation arrangement	18	61,956	—
Deposit for acquisition of investment properties		—	60,000
Total non-current assets		29,051,784	24,602,052
Current assets			
Trade and other receivables	19	43,455	30,157
Bank balances and cash	20	604,943	1,241,860
Total current assets		648,398	1,272,017
Total assets		29,700,182	25,874,069
Current liabilities			
Trade and other payables	21	960,701	922,372
Deposits received		150,042	92,121
Tax liabilities		10,977	154,890
Distribution payable		400,381	257,039
Total current liabilities		1,522,101	1,426,422

consolidated balance sheet

As at 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loan	22	6,976,296	6,968,587
Convertible bonds	23	808,819	760,328
Deferred tax liabilities	24	848,685	155,888
Total non-current liabilities, excluding net assets attributable to unitholders		8,633,800	7,884,803
Total liabilities, excluding net assets attributable to unitholders		10,155,901	9,311,225
Net assets attributable to unitholders		19,544,281	16,562,844
Number of units in issue ('000)	25	2,801,436	2,742,711
Net asset value per unit	27	HK\$6.98	HK\$6.04

The financial statements on pages 72 to 110 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion REIT on 10 March 2008 and were signed on its behalf by:

LO Ka Shui

Director

Jeremy Bellinger STEWARDSON

Director

consolidated statement of changes in net assets attributable to unitholders

For the year ended 31 December 2007

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
Issue of units on 24 May 2006	13,987,824	—	—	—	13,987,824
Unit issue costs	(193,965)	—	—	—	(193,965)
Net adjustment to hedging reserve	—	(225,818)	—	—	(225,818)
Excess of fair value of property interests acquired over acquisition cost upon listing	—	—	2,526,143	—	2,526,143
Profit for the period, before distribution to unitholders	—	—	—	725,699	725,699
Distribution payable	—	—	—	(257,039)	(257,039)
Net assets attributable to unitholders as at 31 December 2006	13,793,859	(225,818)	2,526,143	468,660	16,562,844
Issue of units	219,131	—	—	—	219,131
Net adjustment to hedging reserve	—	(85,291)	—	—	(85,291)
Excess of fair value of investment properties acquired over acquisition cost (see note 16)	—	—	279,781	—	279,781
Profit for the year, before distribution to unitholders	—	—	—	3,237,638	3,237,638
Distribution paid/payable	—	—	—	(669,822)	(669,822)
Net assets attributable to unitholders as at 31 December 2007	14,012,990	(311,109)	2,805,924	3,036,476	19,544,281

distribution statement

For the year ended 31 December 2007

	Notes	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Total distributable income	15	650,448	257,039
Distributable amount to be paid to unitholders for the year/period			
- 100% of total distribution income		650,448	257,039
- Additional amount at the discretion of the Manager	18	19,374	—
		669,822	257,039
Distribution per unit			
(a) Before taking into account the effect of the Distribution Waiver			
- For the period ended 31 December 2006 (note (c))		—	HK\$0.0920
- For the period from 1 January 2007 to 30 June 2007 (note (d))		HK\$0.0962	—
- For the period from 1 July 2007 to 31 December 2007 (note (e))		HK\$0.1429	—
		HK\$0.2391	HK\$0.0920
(b) After taking into account the effect of the Distribution Waiver			
- For the period ended 31 December 2006 (note (c))		—	HK\$0.2000
- For the period from 1 January 2007 to 30 June 2007 (note (d))		HK\$0.1366	—
- For the period from 1 July 2007 to 31 December 2007 (note (e))		HK\$0.2031	—
		HK\$0.3397	HK\$0.2000

Notes:

- (a) Pursuant to the Trust Deed, Champion REIT's distribution after the listing date relates to the period from 24 May 2006 (the "Listing Date") to 31 December 2006 ("FY06 Distribution Period") and is the only distribution to be made for the financial period of 2006.
- (b) It is the policy of the Manager to distribute 100% of total distributable income as the distributable amount for the FY06 Distribution Period and for the year from 1 January 2007 to 31 December 2007 ("FY07 Distribution Period"). In addition, for FY07 Distribution Period, the Manager decided to distribute an additional amount of HK\$19,374,000 out of the amount received according to the Rental Stabilisation Arrangement (see note 18) as the distributable amount.
- (c) Distribution per unit for FY06 Distribution Period is calculated as follows. The distribution was paid to unitholders on 29 May 2007.

	Before taking into the effect of the Distribution Waiver HK\$'000	After taking into the effect of the Distribution Waiver HK\$'000
Distributable amount	257,039	257,039
Number of units		
Units in issue as at 7 May 2007, being the record date for FY06 Distribution Period	2,793,590,561	2,793,590,561
Less: Number of units subject to the Distribution Waiver (note (f))	—	(1,508,490,809)
Total units for the purpose of calculating distribution per unit	2,793,590,561	1,285,099,752
Distribution per unit	HK\$0.0920	HK\$0.2000

distribution statement

For the year ended 31 December 2007

- (d) Distribution per unit for the period from 1 January 2007 to 30 June 2007 ("FY07 Interim Distribution Period") is calculated as follows. The distribution was paid to unitholders on 3 October 2007.

	Before taking into the effect of the Distribution Waiver HK\$'000	After taking into the effect of the Distribution Waiver HK\$'000
100% of distributable income	250,067	250,067
Additional amount at the discretion of the Manager	19,374	19,374
Total distributable amount	269,441	269,441

Number of units

Units in issue as at 10 September 2007, being the record date for FY07 Interim Distribution Period	2,801,436,491	2,801,436,491
Less: Number of units subject to the Distribution Waiver (note (f))	—	(829,669,944)
Total units for the purpose of calculating distribution per unit	2,801,436,491	1,971,766,547
Distribution per unit	HK\$0.0962	HK\$0.1366

- (e) Distribution per unit for the period from 1 July 2007 to 31 December 2007 ("FY07 Final Distribution Period") is calculated as follows. The distribution is expected to be paid out to unitholders on 22 May 2008.

	Before taking into the effect of the Distribution Waiver HK\$'000	After taking into the effect of the Distribution Waiver HK\$'000
Distributable amount	400,381	400,381

Number of units

Units in issue as at 6 March 2008, being the record date for FY07 Final Distribution Period	2,801,436,491	2,801,436,491
Less: Number of units subject to the Distribution Waiver (note (f))	—	(829,669,944)
Total units for the purpose of calculating distribution per unit	2,801,436,491	1,971,766,547
Distribution per unit	HK\$0.1429	HK\$0.2031

- (f) 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 100% and 55% of its entitlement to receive distributions with respect to all of the units it holds as of the Listing Date for FY06 Distribution Period and FY07 Distribution Period respectively (the "Distribution Waiver"). As of Listing Date, Great Eagle Holdings Limited held 1,349,495,877 units, Kerry Properties Limited held 114,796,151 units and Wing Tai Corporation Limited held 44,198,781 units.

consolidated cash flow statement

For the year ended 31 December 2007

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	3,930,975	881,922
Adjustments for:		
Increase in fair value of investment properties	(3,720,940)	(827,368)
Change in fair value of derivative component of convertible bonds	23,485	740
Change in fair value of rental stabilisation arrangement	1,644	—
Overprovision of listing expenses in prior period	(1,975)	—
Manager's fee	81,654	—
Listing expenses	—	16,249
Interest income	(24,759)	(13,196)
Finance costs	379,690	197,083
Operating cash flow before movements in working capital	669,774	255,430
Increase in trade and other receivables	(13,788)	(10,115)
(Decrease) increase in trade and other payables	(6,400)	14,697
Increase in deposits received	57,921	16,801
CASH GENERATED FROM OPERATIONS	707,507	276,813
Interest paid	(40,725)	(9,005)
Hong Kong Profits Tax paid	(144,453)	(21,919)
NET CASH FROM OPERATING ACTIVITIES	522,329	245,889

consolidated cash flow statement

For the year ended 31 December 2007

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
INVESTING ACTIVITIES		
Interest received	25,249	12,268
Cash received from rental stabilisation arrangement	32,040	—
Additions to investment properties	(690,171)	(2,632)
Deposit paid for acquisition of investment properties	—	(60,000)
Acquisition of property interests	—	(11,350,205)
NET CASH USED IN INVESTING ACTIVITIES	(632,882)	(11,400,569)
FINANCING ACTIVITIES		
Distribution paid	(526,364)	—
Proceeds from issue of new units	—	6,294,521
Proceeds from borrowings, net of transaction costs	—	6,964,000
Proceeds from issuance of convertible bonds, net of transaction costs	—	758,900
Derivative financial instruments	—	(1,417,000)
Issue costs and listing expenses paid	—	(203,881)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(526,364)	12,396,540
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(636,917)	1,241,860
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	1,241,860	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, represented by bank balances and cash	604,943	1,241,860

notes to the consolidated financial statements

For the year ended 31 December 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 (the "HKSE") since 24 May 2006. Champion REIT is governed by the deed of trust dated 26 April 2006, as amended by a first supplemental deed dated 5 December 2006 and a second supplemental deed dated 4 February 2008 (the "Trust Deed"), entered into between Eagle Asset Management (CP) Limited (the "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 with the objective of producing stable and sustainable distributions to unitholders and to achieve long-term capital growth. The address of the registered office of the Manager and the Trustee, is Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Hong Kong, and 1 Queen's Road Central, Hong Kong, respectively.

The consolidated financial statements for the current period cover the twelve months ended 31 December 2007. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of changes in net assets attributable to unitholders, distribution statement, consolidated cash flow statement and related notes cover the period from 26 April 2006, the date of establishment of Champion REIT, to 31 December 2006 and therefore may not be comparable with the amounts shown for the current period.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of Champion REIT.

notes to the consolidated financial statements

For the year ended 31 December 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning from 1 January 2007.

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions ²
HK(IFRIC) - Int 12	Service Concession Arrangements ³
HK(IFRIC) - Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

⁴ Effective for annual periods beginning on or after 1 July 2008.

The 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. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include the relevant provisions of the Trust Deed, the Code and the Rules Governing the Listing of Securities on the HKSE.

The consolidated financial statements have been prepared on the historical basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

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

Investment properties

Investment properties are properties held to earn rental and for appreciation.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

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

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

notes to the consolidated financial statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

The Group's financial assets are generally classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired which could include significant financial difficulty of the counterparty; or default/delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

In accordance with the Trust Deed, Champion REIT has a limited life of 80 years less one day from the date of commencement of Champion REIT. Accordingly, the units contain a contractual obligation upon the termination of Champion REIT to distribute a share of all net cash proceeds derived from the sale or realisation of the assets of Champion REIT less any liabilities to its unitholders, in accordance with their proportionate interests in Champion REIT at the date of its termination. The unitholders' funds are therefore classified as financial liabilities in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Disclosure and Presentation. It is presented on the balance sheet as net assets attributable to existing unitholders.

In addition, in accordance with the Trust Deed, Champion REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period and it is the Manager's stated policy to distribute to unitholders 100% of the distributable income.

The Group's financial liabilities (including trade and other payables, distribution payable, bank and other borrowings and liability component of the convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Convertible bonds

Convertible bonds issued by the Group that contain both liability and derivative components are classified separately into the respective items on initial recognition. At the date of issue, both the liability and derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

notes to the consolidated financial statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Group uses interest rate swaps to hedge its exposure against changes in interest rates of its term loan. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss. The hedging reserve is presented within net assets attributable to unitholders.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

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

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

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

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

Borrowing costs

Borrowing costs are recognised as an expense in the consolidated income statement in the year in which they are incurred.

Taxation

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

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

notes to the consolidated financial statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has considered the following key sources of estimation uncertainty at the balance sheet date that would have significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

As described in note 3, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

As described in note 3, the fair values of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. The inputs to the valuation models may include credit risk (both own and counterparty), volatilities and correlations which require management to make estimates.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007 HK\$'000	2006 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Trade receivables	304	219
Bank balances and cash	604,943	1,241,860
	605,247	1,242,079
<i>Derivative instruments</i>		
Rental stabilisation arrangement	61,956	—
Interest rate swaps	646,828	1,042,052
	708,784	1,042,052
Financial liabilities		
<i>Derivative instruments</i>		
Derivative component of convertible bonds	61,200	37,715
<i>Financial liabilities at amortised costs</i>		
Trade payables	9,148	12,535
Distribution payable	400,381	257,039
Secured term loan	6,976,296	6,968,587
Liability component of convertible bonds	747,619	722,613
	8,133,444	7,960,774

(b) Financial risks management objectives and policies

The Group's major financial instruments include trade and other receivables, rental stabilisation arrangement, bank balances and cash, trade and other payables, derivative financial instruments and secured borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of the Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

notes to the consolidated financial statements

For the year ended 31 December 2007

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risks management objectives and policies (continued)

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank borrowings (see note 22 for details of these borrowings). The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps on its secured term loan to hedge against its exposures to changes in interest rate. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used (see note 17 for details).

The Group is also exposed to fair value interest rate risk in relation to convertible bonds (see note 23 for details). It is the Group's policy to keep its borrowings at fixed rate so as to minimise the cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities to the profit or loss are minimum as the Group entered into interest rate swaps to hedge against the risk exposure.

Sensitivity analysis

If the interest rates have been higher/lower by a 50 basis point and all other variables were held constant, the hedging reserve would increase (decrease) as follows:

	2007 HK\$'000	2006 HK\$'000
Derivative financial instruments		
Change in interest rate, higher by 50 basis point	100,793	123,541
Change in interest rate, lower by 50 basis point	(101,759)	(126,530)

(ii) Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Manager has established cash flow credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the property manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Manager reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

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

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risks management objectives and policies (continued)

(iii) Liquidity risk management

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the Manager observes the Code concerning limits on total borrowings and monitors the level of borrowings to be within the permitted limit.

The Group had a bank loan facility of HK\$7,200,000,000, comprising a HK\$7,000,000,000 term loan and a HK\$200,000,000 revolving credit facility, each for a term of five years. As at 31 December 2007, the term loan of HK\$7,000,000,000 was outstanding while the revolving credit facility of HK\$200,000,000 remains undrawn since the Listing Date. The Group with a cash balance of HK\$604,943,000 and available revolving credit facility of HK\$200,000,000 as at 31 December 2007, has sufficient financial resources to satisfy its commitments and working capital requirements.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 year HK\$'000	2-3 year HK\$'000	3-4 year HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000	
As at 31.12.2007										
Non-interest bearing										
Trade payables	—	9,148	—	—	—	—	—	9,148	9,148	
Distribution payable	—	400,381	—	—	—	—	—	400,381	400,381	
		409,529	—	—	—	—	—	409,529	409,529	
Variable interest rate instruments										
Secured bank loans	4.83	55,344	110,687	170,643	336,674	336,674	7,137,393	8,147,415	6,976,296	
Fixed interest rate instruments										
Convertible bonds	5.55	6,821	13,641	21,031	41,493	41,493	767,473	891,952	747,619	
Total		471,694	124,328	191,674	378,167	378,167	7,904,866	9,448,896	8,133,444	
	Weighted average effective interest rate %	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 year HK\$'000	2-3 year HK\$'000	3-4 year HK\$'000	4-5 year HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31.12.2006										
Non-interest bearing										
Trade payables	—	12,535	—	—	—	—	—	—	12,535	12,535
Distribution payable	—	257,039	—	—	—	—	—	—	257,039	257,039
		269,574	—	—	—	—	—	—	269,574	269,574
Variable interest rate instruments										
Secured bank loans	4.88	55,851	111,703	172,209	339,763	339,763	339,763	7,131,162	8,490,214	6,968,587
Fixed interest rate instruments										
Convertible bonds	5.55	6,937	13,873	21,388	42,198	42,198	42,198	780,520	949,312	722,613
Total		332,362	125,576	193,597	381,961	381,961	381,961	7,911,682	9,709,100	7,960,774

notes to the consolidated financial statements

For the year ended 31 December 2007

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risks management objectives and policies (continued)

(iv) Other price risk

The Group is exposed to risk through fluctuation of forecasted rental income arising from the rental stabilisation arrangement and equity price risk through its equity price risks arising from the conversion component of the convertible bonds. Details of rental stabilisation arrangement and convertible bonds are set out in note 18 and note 23 respectively.

Sensitivity analysis

If the inputs to the valuation model had been 5% higher/lower while all other variables were held constant, the profit before tax and distribution to unitholders would increase (decrease) as follows:

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Rental stabilisation arrangement		
Change in market rent, higher by 5%	(8,541)	N/A
Change in market rent, lower by 5%	9,382	N/A
Convertible bonds		
Change in share price, higher by 5%	(41,693)	(39,015)
Change in share price, lower by 5%	41,693	39,015

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;
- the fair value of derivative instruments is determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments. For rental stabilisation arrangement, the fair value is estimated using the Black-Scholes model.

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. 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.

7. RENTAL INCOME

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Rental income	737,996	284,445
Car park income	12,054	6,959
	750,050	291,404

8. RENTAL RELATED INCOME

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Interest income from tenants	46	55
Surplus on forbearance fee	1,808	—
Sundry income	255	228
	2,109	283

notes to the consolidated financial statements

For the year ended 31 December 2007

9. PROPERTY OPERATING EXPENSES

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Building management fees	88,656	48,945
Car park operating expenses	1,852	856
Government rent and rates	21,354	9,043
Legal cost and stamp duty	2,697	1,255
Property and lease management service fee	22,361	8,310
Property miscellaneous expenses	1,737	677
Rental commission	17,360	8,755
Repairs and maintenance	2,428	807
	158,445	78,648

10. MANAGER'S FEE

Pursuant to the Trust Deed, the Manager is entitled to a manager's fee of 12% of the net property income of Champion REIT which amounted to HK\$81,654,000 in respect of the year ended 31 December 2007 as Champion REIT achieved a net property income of HK\$680,446,000, which exceeded the required threshold of net property income of HK\$200 million for each of the six months ended 30 June 2007 and 31 December 2007. The manager's fee is to be settled by units of Champion REIT.

As the net property income for the period from the Listing Date to 31 December 2006 was HK\$260,867,000, which did not exceed the required threshold of net property income of HK\$270 million for that period, the Manager was not entitled to any manager's fee for the year ended 31 December 2006.

11. FINANCE COSTS

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	338,926	195,787
Interest expense on convertible bonds wholly repayable within five years	40,264	1,113
Other borrowing costs	500	183
	379,690	197,083

12. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Profit before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	1,524	1,218
Trustee's remuneration	5,243	2,671
Principal valuer's fee	125	110
Other professional fees and charges	1,689	1,438
Bank charges	18	4

13. INCOME TAXES

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Hong Kong Profits Tax:		
Current tax	540	335
Deferred tax (note 24)	692,797	155,888
	693,337	156,223

Hong Kong Profits Tax is calculated at 17.5% (26.4.2006 to 31.12.2006: 17.5%) of the estimated assessable profit for the year/period and the income taxes for the year/period can be reconciled to the profit before tax and distribution to unitholders as follows:

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Profit before tax and distribution to unitholders	3,930,975	881,922
Tax at the domestic income tax rate of 17.5%	687,921	154,336
Tax effect of income not taxable for tax purpose	(4,333)	(2,309)
Tax effect of expenses not deductible for tax purpose	6,370	3,712
Tax effect of utilisation of tax loss previously not recognised	(95)	—
Tax effect of tax loss not recognised	3,474	484
Income taxes for the year/period	693,337	156,223

notes to the consolidated financial statements

For the year ended 31 December 2007

14. BASIC AND DILUTED EARNINGS PER UNIT

The calculation of the basic and diluted earnings per unit before distribution to unitholders is based on the following data:

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Earnings		
Profit for the year/period, before distribution to unitholders for the purpose of basic earnings per unit	3,237,638	725,699
Effect of dilutive potential units:		
Interest on convertible bonds	40,264	1,113
Change in fair value of derivative components of convertible bonds	23,485	740
Profit for the year/period, before distribution to unitholders for the purpose of diluted earnings per unit	3,301,387	727,552
Number of units		
Weighted average number of units for the purpose of basic earnings per unit	2,795,848,909	2,742,710,561
Effect of dilutive potential units:		
Units to be issued in respect of the manager's fee	4,959,608	—
Convertible bonds	168,131,868	7,483,541
Weighted average number of units for the purpose of diluted earnings per unit	2,968,940,385	2,750,194,102
Basic earnings per unit before distribution to unitholders	HK\$1.16	HK\$0.26
Diluted earnings per unit before distribution to unitholders	HK\$1.11	HK\$0.26

15. TOTAL DISTRIBUTABLE INCOME

The total distributable income is the profit for the year/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 income statement for the relevant period. The adjustments to arrive at total distributable income for the year/period are set out below:

	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Profit for the year/period, before distribution to unitholders	3,237,638	725,699
Adjustments:		
Manager's fee	81,654	—
Overprovision of listing expenses in prior period	(1,975)	—
Listing expenses	—	16,249
Increase in fair value of investment properties	(3,720,940)	(827,368)
Change in fair value of derivative component of convertible bonds	23,485	740
Change in fair value of rental stabilisation arrangement	1,644	—
Non-cash finance costs	336,145	185,831
Deferred tax	692,797	155,888
Total distributable income	650,448	257,039

16. INVESTMENT PROPERTIES

	2007 HK\$'000	2006 HK\$'000
FAIR VALUE		
At the beginning of the year/period	23,500,000	—
Acquired upon listing	—	22,670,000
Additions during the year/period	1,122,060	2,632
Increase in fair value during the year/period	3,720,940	827,368
At the end of the year/period	28,343,000	23,500,000

notes to the consolidated financial statements

For the year ended 31 December 2007

16. INVESTMENT PROPERTIES (continued)

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\$922,859,000 comprising payment in cash of HK\$735,112,000 and the issuance of 50,880,000 units which have fair value of HK\$187,747,000 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 Manager as acquisition fee, amounted to HK\$15,060,000.

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 (details of the valuation are set out in Champion REIT's circular dated 15 December 2006). The consideration and fair values of the investment properties together with the rental stabilisation arrangement (as described in note 18 below) acquired amounting to approximately 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 cost of HK\$279,781,000. The difference has been included in consolidated statement of changes in net assets attributable to unitholders.

On 31 December 2007, Savills Valuation and Professional Services Limited undertook an independent valuation. The valuation, which conforms to International Valuation Standards, was arrived by using the basis of capitalisation of the net rental income. In arriving at the valuation, the market rentals of all lettable units of the property are assessed and capitalised at market yield expected by investors for this type of property. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors.

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\$27,059,400,000 (2006: HK\$23,500,000,000) together with the 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\$1,283,600,000 (2006: nil) have been mortgaged to the Bond Trustee to secure the obligations of the CB Issuer (as defined in note 23) under the convertible bonds.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 HK\$'000	2006 HK\$'000
Cash flow hedge - interest rate swaps	646,828	1,042,052

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

Notional amount	Maturity	Swaps
HK\$7,000,000,000	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.

18. RENTAL STABILISATION ARRANGEMENT

Pursuant to the rental stabilisation arrangement (the "Arrangement") in relation to the acquisition of 3 floors and certain carparking spaces in Citibank Plaza (see note 16), 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 not be less than HK\$30,992,000. The total amount of shortfall receivable from Kerry under the Arrangement is subject to a maximum amount of HK\$95,223,000 for the Full Rental Stabilisation Period (the "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 year ended 31 December 2007, the Group received an aggregate amount of HK\$32,040,000 in respect of the rental stabilisation period from 5 January 2007 to 31 December 2007, which represents the shortfall of New Property Rental of HK\$28,622,000 and interest on the escrow account of HK\$3,418,000. On 3 October 2007, HK\$19,374,000 was paid to unitholders at the discretion of the Manager.

The Arrangement is accounted for as financial derivative and measured at fair value at the balance sheet date of HK\$61,956,000. The fair value is determined based on the Black-Scholes model using the assumptions of current market rents at valuation date, expected volatility based on past three year historical rent index volatility of grade A central office and the duration of the Arrangement.

notes to the consolidated financial statements

For the year ended 31 December 2007

19. TRADE AND OTHER RECEIVABLES

	2007 HK\$'000	2006 HK\$'000
Trade receivables	304	219
Deferred rent receivables	21,471	14,696
Deposits, prepayments and other receivables	21,680	15,242
	43,455	30,157

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these receivables. Rental receivables from tenants are payable on presentation of invoices.

Aging analysis of the Group's trade receivables at the balance sheet date is as follows:

	2007 HK\$'000	2006 HK\$'000
0 - 3 months	304	219

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$304,000 (2006: HK\$219,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

20. BANK BALANCES AND CASH

	2007 HK\$'000	2006 HK\$'000
Cash on hand	16	183
Cash at bank	73,265	42,836
Time deposits	531,662	1,198,841
	604,943	1,241,860

Time deposits with a maturity of less than three months carry interest at market rates which range from 2.8% to 3.71%.

21. TRADE AND OTHER PAYABLES

	2007 HK\$'000	2006 HK\$'000
Trade payables	9,148	12,535
Rental received in advance	13,288	12,114
Other payables	88,140	47,598
Accrued stamp duty	850,125	850,125
	960,701	922,372

The accrual for stamp duty is 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:

	2007 HK\$'000	2006 HK\$'000
0 - 3 months	9,148	12,535

22. SECURED TERM LOAN

	2007 HK\$'000	2006 HK\$'000
Secured term loan	7,000,000	7,000,000
Loan front-end fee	(23,704)	(31,413)
	6,976,296	6,968,587

Under the banking facility agreement, the Group has been granted a facility of HK\$7,200,000,000 (2006: HK\$7,200,000,000) before origination fee, comprising a HK\$7,000,000,000 (2006: HK\$7,000,000,000) term loan and a HK\$200,000,000 (2006: HK\$200,000,000) revolving credit facility.

The HK\$7,000,000,000 (2006: HK\$7,000,000,000) term loan drawn as at 31 December 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.

notes to the consolidated financial statements

For the year ended 31 December 2007

23. CONVERTIBLE BONDS

Treasure Source Limited (the "CB Issuer"), an entity wholly-owned and indirectly 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 or 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 fair value of the derivative component is based on valuation provided to the Group by the arranger of the Bonds, which is determined in accordance with an in house model. The inputs of the model include the quoted market price of the Bonds at the valuation date and the fair value of the straight bond which is estimated based on the applicable yield curve for the duration of the Bonds. The effective interest rate of the liability component is 5.55% per annum.

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

	2007 HK\$'000	2006 HK\$'000
Liability component		
At the beginning of the year/period	722,613	—
Amount initially recognised	—	721,925
Interest charged	40,264	1,113
Interest paid	(15,258)	(425)
At the end of the year/period	747,619	722,613
Derivative component		
At the beginning of the year/period	37,715	—
Amount initially recognised	—	36,975
Change in fair value	23,485	740
At the end of the year/period	61,200	37,715
Total convertible bonds	808,819	760,328

24. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	Investment properties	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Charge (credit) to consolidated income statement for the period from 26 April 2006 to 31 December 2006 and as at 31 December 2006	74,282	144,789	(63,183)	155,888
Charge to consolidated income statement for the year	16,439	651,165	25,193	692,797
As at 31 December 2007	90,721	795,954	(37,990)	848,685

As at the balance sheet date, the Group had unrecognised unused tax loss amounting to HK\$22,070,000 (2006: HK\$2,766,000) available to offset against future profits.

25. NUMBER OF UNITS IN ISSUE

	Number of units	HK\$'000
Issue of units on 24 May 2006 at HK\$5.10 per unit and balance 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 (a)	50,880,000	187,747
Issue of units on 23 August 2007 at HK\$4.00 per unit (b)	7,845,930	31,384
Balance at 31 December 2007	2,801,436,491	14,012,990

Notes:

- On 5 January 2007, 50,880,000 new units of Champion REIT were issued at a market value of HK\$3.69 per unit as partial payment of the consideration for the acquisition of investment properties as mentioned in note 16 above.
- On 23 August 2007, 7,845,930 new units of Champion REIT were issued at a market value of HK\$4.00 per unit as payment for REIT Manager's fee for the period from 1 January 2007 to 30 June 2007 as mentioned in note 10 above.

notes to the consolidated financial statements

For the year ended 31 December 2007

26. MAJOR NON-CASH TRANSACTION

During the year, the Manager earned a fee of HK\$81,654,000 which is required to be settled in the form of units in Champion REIT. An amount of HK\$31,384,000 had been settled through the issue of units to the Manager while the balance of HK\$50,270,000 will be settled in units subsequent to the year end.

27. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2007 of HK\$19,544,281,000 (2006: HK\$16,562,844,000) by the number of units in issue of 2,801,436,491 as at 31 December 2007 (2006: 2,742,710,561).

28. NET CURRENT LIABILITIES

At 31 December 2007, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$873,703,000 (2006: HK\$154,405,000).

29. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2007, the Group's total assets less current liabilities amounted to HK\$28,178,081,000 (2006: HK\$24,447,647,000).

30. OPERATING LEASES

At 31 December 2007, the Group had contracted with tenants for the following future minimum lease payment:

	2007 HK\$'000	2006 HK\$'000
Within one year	894,833	439,479
In the second to fifth year inclusive	1,483,969	716,916
Over five years	166,933	101,815
	2,545,735	1,258,210

The properties held had committed leases typically running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. Contingent rental income of HK\$479,000 (2006: HK\$604,000) was received for the year/period.

Certain future minimum lease payments are calculated based on the estimated market rent to be received from the contracted tenants during specified time intervals of the contracted period as stipulated in the lease agreement.

31. CAPITAL COMMITMENTS

	2007 HK\$'000	2006 HK\$'000
Capital expenditure in respect of the acquisition of investment properties contracted for but not provided in the consolidated financial statements	—	934,600

32. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with connected and related parties:

	Notes	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Rental income			
China Mobile Peoples Telephone Company Limited	(a)	203	68
Strong Dynamic Limited	(b)	6,216	3,368
The Great Eagle Properties Management Company, Limited	(b)	1,317	629
The Great Eagle Company, Limited	(b)	—	148
Eagle Asset Management (CP) Limited	(b)	147	63
Advanced Cardiac Care Limited	(c)	49	—
Main St. Cafe Hong Kong Company Limited	(b)	636	—
HSBC Group*	(d)	15,717	9,506
Interest income			
HSBC Group*	(d)	24,759	13,107
Building management fee income			
Strong Dynamic Limited	(b)	3,334	1,950
The Great Eagle Properties Management Company, Limited	(b)	138	81
Main St. Cafe Hong Kong Company Limited	(b)	99	—
HSBC Group*	(d)	2,990	1,749
Building management fee			
The Great Eagle Properties Management Company, Limited	(b)	88,656	48,945
Property and lease management service fee			
Eagle Property Management (CP) Limited	(b)	22,401	8,310

notes to the consolidated financial statements

For the year ended 31 December 2007

32. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

	Notes	1.1.2007 to 31.12.2007 HK\$'000	26.4.2006 to 31.12.2006 HK\$'000
Rental commission and sundries			
Eagle Property Management (CP) Limited	(b)	12,835	6,974
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(b)	1,259	446
Toptech Co. Limited	(b)	1,018	152
The Great Eagle Properties Management Company, Limited	(b)	6	1
Sun Fook Kong Housing Services Limited	(f)	1	1
Repairs and maintenance and renovations contracted to			
The Great Eagle Engineering Company Limited	(b)	1,891	685
Toptech Co. Limited	(b)	1,456	3,070
The Great Eagle Properties Management Company, Limited	(b)	6	4
Sun Fook Kong Housing Services Limited	(f)	1	1
Insurance fee			
The Great Eagle Insurance Agency Limited	(b)	581	404
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited	(d)	5,243	2,671
Manager's fee			
Eagle Asset Management (CP) Limited	(g)	81,654	—
Acquisition cost for investment properties			
Eagle Asset Management (CP) Limited	(b)	9,946	—
HSBC Institutional Trust Services (Asia) Limited	(d)	100	—
Savills Valuation and Professional Services Limited	(e)	90	—
Interest expense			
Hang Seng Bank Limited^	(d)	338,118	207,764
Valuation fee			
Savills Valuation and Professional Services Limited	(e)	174	200
Payment for renovation works			
Toptech Co. Limited	(b)	—	2,632

32. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

	Notes	2007 HK\$'000	2006 HK\$'000
Balances with related parties as are as follows:			
Amount due from			
Strong Dynamic Limited	(b) & (h)	128	83
Toptech Co. Limited	(b) & (h)	337	138
The Great Eagle Properties Management Company, Limited	(b) & (h)	14,387	13,954
The Great Eagle Company, Limited	(b) & (h)	21	—
Amount due to			
Eagle Property Management (CP) Limited	(b) & (h)	6,974	2,923
Eagle Asset Management (CP) Limited	(b) & (h)	50,270	—
Toptech Co. Limited	(b) & (h)	264	614
The Great Eagle Engineering Company Limited	(b) & (h)	1,128	1,126
The Great Eagle Properties Management Company, Limited	(b) & (h)	—	6,888
Deposits placed with the Group for the lease of the Group's properties			
China Mobile Peoples Telephone Company Limited	(a)	34	34
Main St. Cafe Hong Kong Company Limited	(b) & (j)	30	—
The Great Eagle Properties Management Company, Limited	(b)	373	225
Strong Dynamic Limited	(i)	—	—
HSBC Group*	(d)	3,541	3,541

Notes:

- (a) The Director is Dr. Lo Ka Shui, who is a director (and the Chairman) of both the REIT Manager and Great Eagle. Dr. Lo Ka Shui is also an independent non-executive director of China Mobile Limited, the holding company of China Mobile Peoples Telephone Company Limited.
- (b) These companies are the subsidiaries of Great Eagle Holdings Limited ("Great Eagle"), a significant holder of Champion REIT.
- (c) Advanced Cardiac Care Limited is controlled by Dr. Lo Ying Sui, Archie and his associates. Dr. Lo Ying Sui, Archie is a connected person of Champion REIT by virtue of his being a controlling entity of the significant holder.
- (d) These companies are the Trustee or associates of the Trustee.
- (e) This is the principal valuer of Champion REIT.

notes to the consolidated financial statements

For the year ended 31 December 2007

32. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

- (f) This company is a subsidiary of Sun Fook Kong Holdings Limited ("SFK"), 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.
- (g) The Manager's Fee is calculated at 12% of the net property income provided that Champion REIT achieves net property income (before deduction therefrom of the Manager's Fee) of HK\$200 million for each of the six months period ended 30 June 2007 and 31 December 2007 (2006: HK\$270 million for the period from the Listing Date to 31 December 2007).
- (h) The amounts due from and due to related parties are unsecured, interest-free and have no fixed repayment terms.
- (i) A bank guarantee of HK\$2,112,000 (2006: HK\$2,078,000) had been received in lieu of deposit.
- (j) In addition of HK\$30,000 received for damage deposit, a bank guarantee of HK\$325,000 had been received in lieu of deposit.

The deed of mutual covenant of Citibank Plaza ("DMC") binds the manager under the DMC and all the owners of Citibank Plaza and their successors-in-title which include members of Great Eagle. Under the DMC, Longworth Management Limited, a subsidiary of Great Eagle ("Longworth") is appointed as the DMC Manager and Longworth had appointed The Great Eagle Properties Management Company, Limited as DMC Sub-manager. The DMC technically constitutes a contract between the Group and Great Eagle. The DMC Sub-Manager (acting on behalf of the Group) entered into various contracts with members of the Great Eagle and SFK in connection with the management of Citibank Plaza. These contracts also constitute connected transactions for Champion REIT. Pursuant to these contracts, an amount of HK\$28,897,000 (26.4.2006 - 31.12.2006: HK\$16,046,000) and an amount of HK\$3,753,000 (26.4.2006 - 31.12.2006: HK\$2,504,000) were paid to the Great Eagle and the SFK respectively.

* 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 (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Champion REIT).

^ Hang Seng Bank Limited is the facility agent under the term loan and revolving credit facility of HK\$7,200 million ("Facility") of which HK\$7,000 million term loan had been outstanding as at 31 December 2007. Lenders of the Facility include members of the HSBC Group.

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\$922,859,000 comprising payment in cash of HK\$735,112,000 and the issuance of 50,880,000 units which have fair value of HK\$187,747,000 based on the unit price of HK\$3.69 at the date of acquisition.

33. SUBSEQUENT EVENTS

On 14 February 2008, Champion REIT entered into sale and purchase agreements (the "Agreements") with The Great Eagle Company Limited ("GE Co"), Acefield Investments Limited and Truefaith Developments Limited (all being connected persons for Champion REIT within the meaning of the Code) whereby Champion REIT has agreed to acquire all the issued shares of Renaissance City Development Company Limited ("Renaissance"), Ernest Limited and Best Noble Enterprises Limited (hereinafter collectively referred to as "LP Property Companies") and the shareholder's loan owing by Renaissance to GE Co subject to, among other things, the satisfaction or waiver of conditions precedent as set out in the Agreements (the "Acquisition") and the ordinary resolution of the extraordinary general meeting (the "EGM Resolution"). The EGM Resolution was passed on 6 March 2008.

The LP Property Companies and the Benington Limited together hold full legal and beneficial title to the Langham Place and all rights and interests related thereto. Champion REIT will be acquiring the Langham Place at a discount to the appraised value as determined by the independent property valuer. The agreed value of the consideration payable in connection with the acquisition of the property is HK\$12,500 million, which is at a discount of approximately 11.8% to the appraised value of HK\$14,170 million (details of the valuation are set out in Champion REIT's circular dated 16 February 2008). The consideration together with the estimated transaction costs of HK\$325 million is proposed to be financed by issuing consideration units of HK\$2,986 million, placement units of HK\$3,177 million, convertible bonds of HK\$5,012 million and bank borrowing of HK\$1,650 million.

On the same date, the REIT Manager, the Trustee and each of the Distribution Entitlement Waiver parties, being Top Domain International Limited, Fortune Mega Investments Limited and Wing Tai Corporation Limited, entered into a deed of amendment of Distribution Entitlement Waiver Deed, whereby the parties agreed to terminate the undertakings of Top Domain International Limited, relating to the distribution for the period from 1 January 2008 to 31 December 2008, effective as of and conditional upon completion of the Acquisition. Payment made by Top Domain International Limited in respect of the amendment of the Distribution Entitlement Waiver Deed is initially estimated to be HK\$97 million subject to adjustment as more particularly set out in Champion REIT's circular dated 16 February 2008.

Furthermore, subject to the EGM Resolution being passed, the approval of the lenders of secured term loan being obtained and completion of the Acquisition taking place, the terms of interest rate swap arrangement entered into by Champion REIT at the time of its initial public offering will be amended.

notes to the consolidated financial statements

For the year ended 31 December 2007

34. ENTITIES CONTROLLED BY CHAMPION REIT

The following entities are wholly-owned and controlled by Champion REIT as at 31 December 2007.

Name	Issued and fully paid Ordinary share capital	Principal activities
Incorporated in the British Virgin Islands and directly controlled by Champion REIT:		
CP Finance (BVI) Limited	1 share of US\$1	Investment holding
Cojoin Properties Limited	1 share of US\$1	Investment holding
East Power Limited	1 share of US\$1	Investment holding
Fuscastus Limited	1,000,000 shares of HK\$1 each	Investment holding
Harvest Star Limited	1 share of US\$1	Investment holding
Kewage Investments Limited	1 share of US\$1	Investment holding
Kingarley Investments Limited	1 share of US\$1	Investment holding
Portion A (BVI) Limited	1 share of US\$1	Investment holding
Portion B (BVI) Limited	1 share of US\$1	Investment holding
Incorporated and operating in Hong Kong and indirectly controlled by Champion REIT:		
CP (A1) Limited	1 share of HK\$1	Property investment
CP (B1) Limited	1 share of HK\$1	Property investment
CP (MC) Limited	1 share of HK\$1	Property investment
CP (PH) Limited	1 share of HK\$1	Property investment
CP (SH) Limited	1 share of HK\$1	Property investment
CP (WC) Limited	1 share of HK\$1	Property investment
CP Finance Limited	1 share of HK\$1	Financing
CP (Portion A) Limited	2 shares of HK\$1 each	Property investment
CP (Portion B) Limited	2 shares of HK\$1 each	Property investment
Elegant Wealth Limited	1 share of HK\$1	Property investment
Maple Court Limited	2 shares of HK\$1 each	Property investment
Panhy Limited	2 shares of HK\$1 each	Property investment
Shine Hill Development Limited	1,000,000 shares of HK\$1 each	Property investment
Treasure Source Limited	1 share of HK\$1	Debt securities issuer
Well Charm Development Limited	2 shares of HK\$1 each	Property investment

performance table

As at 31 December 2007

	1.1.2007 - 31.12.2007	26.4.2006 - 31.12.2006
Net asset value (HK\$'000)	19,544,281	16,562,844
Net asset value per unit (HK\$)	6.98	6.04
The highest traded price during the year/period (HK\$)	4.77	4.375
The highest premium of the traded price to net asset value ¹	N/A	N/A
The lowest traded price during the year/period (HK\$)	3.69	3.70
The highest discount of the traded price to net asset value	47.13%	38.74%
Distribution yield per unit ²	7.43%	5.32%
Annualized distribution yield per unit ²	7.43%	8.75%
Net profit yield per unit ³	25.29%	7.04%
Annualized net profit yield per unit ³	25.29%	11.57%

Notes:

- 1 The highest traded price is lower than the net asset value per unit. 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\$0.3397 (which calculation had been set out in the Distribution Statement) for the year ended 31 December 2007 over the traded price of HK\$4.57 as at 31 December 2007.
- 3 Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2007 over the traded price of HK\$4.57 as at 31 December 2007.

notice of agm



Champion REIT

冠君產業信託

Champion Real Estate Investment Trust

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

(Stock Code: 2778)

Managed by

Eagle Asset Management

Eagle Asset Management (CP) Limited

NOTICE OF 2008 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2008 Annual General Meeting of Unitholders of Champion Real Estate Investment Trust (“Champion REIT”) will be held at the Penthouse, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 9 May 2008 at 3:00 p.m. for the following purposes:

- (1) To note the audited financial statements of Champion REIT together with the Auditors’ Report for the year ended 31 December 2007.
- (2) To note the payment of distribution for the year ended 31 December 2007.
- (3) To note the appointment of Auditors of Champion REIT and the fixing of their remuneration.

By Order of the Board

EAGLE ASSET MANAGEMENT (CP) LIMITED

(as manager of Champion Real Estate Investment Trust)

LO Ka Shui

Chairman

Hong Kong, 15 April 2008

Registered Office:

Suite 3008, 30th Floor

Great Eagle Centre

23 Harbour Road, Wanchai

Hong Kong

Notes

- 1 A Unitholder entitled to attend at the meeting convened by the above notice is entitled to appoint one or more proxies to attend in his/her stead. The person appointed to act as a proxy need not be a Unitholder.
- 2 In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the Unit Registrar of Champion REIT, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 48 hours before the time fixed for holding the meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- 3 The Register of Unitholders will be closed from Tuesday, 6 May 2008 to Friday, 9 May 2008, both days inclusive, during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend the meeting convened by the above notice, all Unit certificates accompanied by the duly completed transfers must be lodged with the 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 Monday, 5 May 2008.

corporate information

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
HO Shut Kan
LO Kai Shui

Executive Director and Chief
Executive Officer
STEWARTSON, 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) 2865 0990 / 2529 6087
Email: hkinfo@computershare.com.hk

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



ChampionREIT

冠君產業信託

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