

CHAMPION REIT

your
vehicle for
premium
commercial
properties

inside this issue:

**report to
unitholders**

by **Chairman K.S. Lo**

2008
in Retrospect

CEO Adrian Lee
discusses the
last financial year

Deal of the Year

**The purchase
of Langham Place**

the Plain Facts

2.85

million sq. ft.
of property

HK\$1.61

bn in revenue



Champion Real Estate Investment Trust (stock code 2778)
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)



Champion REIT
冠君產業信託



TEL 2879 1288

Interim Distribution...HK\$0.1788 Final Distribution...HK\$0.1410
Total Distribution...HK\$0.3198

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties and is one of Asia's 10 largest REITs by market capitalization. The Trust's focus is on Grade-A commercial properties in prime locations.

trust profile

obj

It currently offers investors direct exposure to 2.85 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Citibank Plaza and Langham Place, one on each side of the Victoria Harbour.

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 six key principles:

- 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.

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CORPORATE INFORMATION



timeline of significant events



08

4 Feb

Amendments to Trust Deed

14 Feb

Announcement of intention to acquire Langham Place

6 Mar

EGM approving the Langham Place Acquisition

10 Mar

Announcement of 2007 Final Results

24 May

Termination of yield enhancement via interest rate swaps

27 May

Issue of HK\$4.68 billion of convertible bonds

Private Placement of HK\$2.96 billion of new units

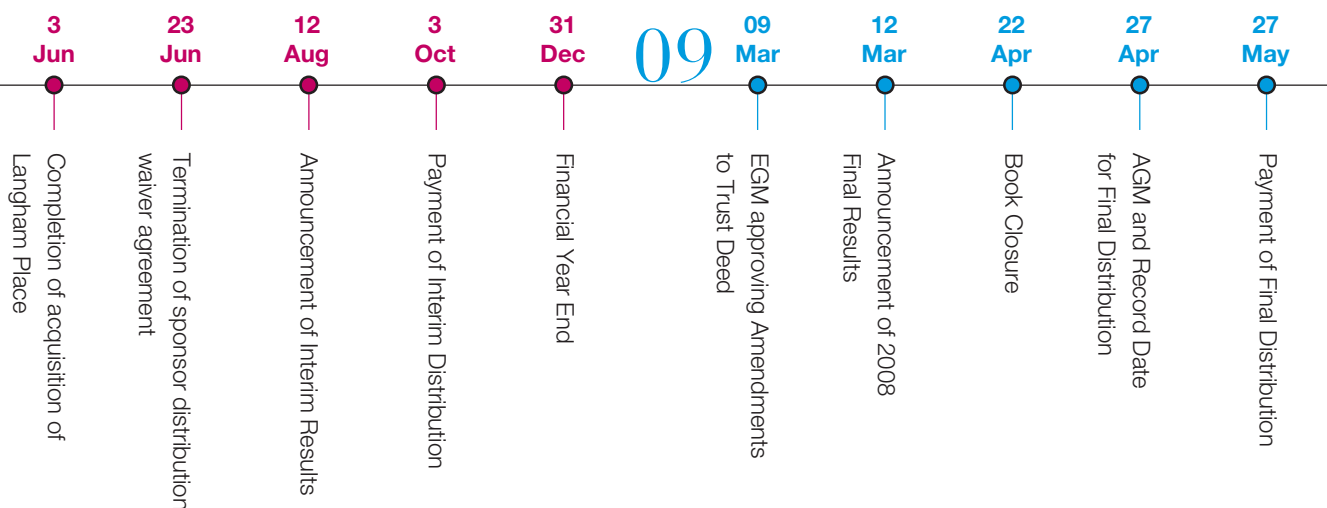
financial highlights

For the year ended 31 December 2008

	FY2008	FY2007	% Change
Key Financial Figures	HK\$'000	HK\$'000	
Total Revenue	1,613,836	838,891	+92.4%
Property Operating Expenses	(279,646)	(158,445)	+76.5%
Net Property Income	1,334,190	680,446	+96.1%
(Loss) Profit After Tax	(2,876,500)	3,237,638	n/a
Total Distributable Amount	1,408,220	669,822	+110.2%
Gross Value of Portfolio	40,049,000	28,343,000	+41.3%
Ratios and Per Unit Figures			
Distribution per unit	HK\$0.3198	HK\$0.3397	-5.9%
Net Asset Value per unit	HK\$5.37	HK\$6.98	-23.1%
Gearing Ratio	36.0%	26.1%	+9.9% ¹
Expense Ratio	17.3%	18.9%	-1.6% ¹

Note

¹ absolute change used for figures stated in percentages



Chairman K. S. Lo's report to unitholders

Champion REIT is now one of the ten biggest real estate investment trusts in Asia.

My fellow unitholders, on behalf of the Board I am pleased to present Champion REIT's annual report for the financial year ended 31 December 2008. I am heartened to report that Champion REIT has by and large remained so far unscathed by the crisis unfolding in the wake of Lehman Brother's collapse. 2008 was in fact a year characterized by growth for Champion REIT, in terms of both the size and breadth of its revenue. Revenues have continued to rise and the value of the Trust's property assets now stand at HK\$40.05 billion, as compared to HK\$28.3 billion at the end of last year.

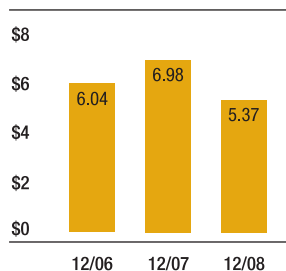




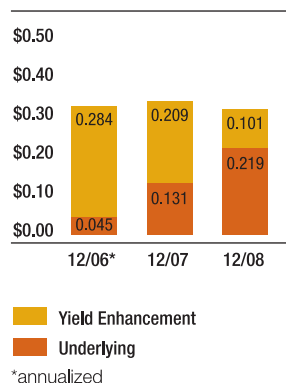
chairman's report

Champion REIT also set a new precedent ...by being the first HK REIT to unwind its financial engineering.

NAV per Unit
in HK\$



Distribution per Unit
in HK\$



The year marked the first major acquisition by a Hong Kong listed REIT as Langham Place was added to the Champion portfolio. The acquisition has proved a timely one, and the addition of Langham Place's retail based income will serve to reduce Champion REIT's dependence on the financial sector. As a result of the acquisition, the commercial floor space owned by the Trust has almost doubled to 2.85 million sq. ft. Champion REIT is now one of the ten biggest real estate investment trusts in Asia (including Japan) in terms of market capitalization.

Champion REIT also set a new precedent for the Hong Kong REIT sector by being

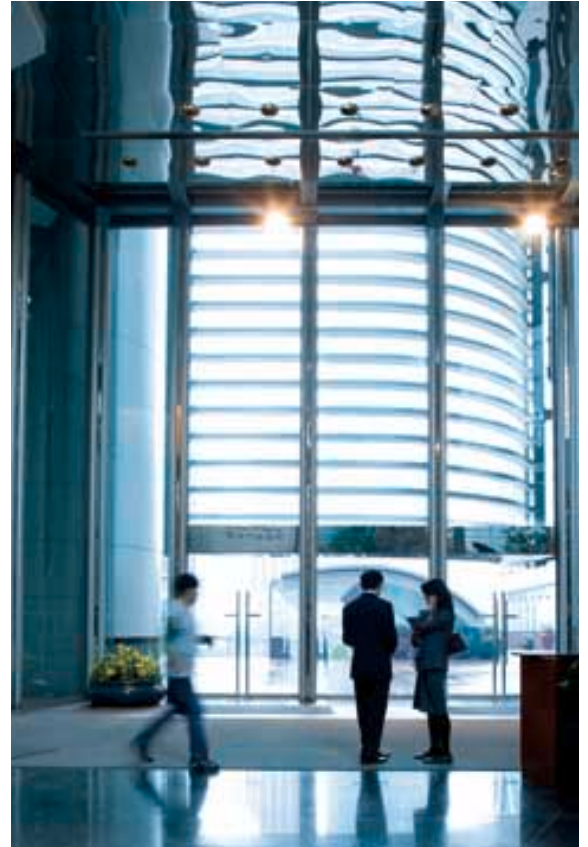
the first HK REIT to unwind its financial engineering during 2008. Consequently, Champion REIT is now offering a yield directly related to its property income, meeting the demands of investors for greater financial transparency.

As a reflection of the decline in property prices in Hong Kong, Net Asset Value (NAV) has decreased to HK\$5.37 per Unit. This however, has not diminished the Trust's capacity to generate distributions. The total Distribution per Unit (DPU) for the year is HK\$0.3198, comprising HK\$0.1788 already paid out as an interim distribution and HK\$0.1410 to be paid out as the final distribution. Underlying

Distribution per Unit, which excludes the impact yield enhancement mechanisms such as interest rate swaps and distribution waivers, was HK\$0.2188, representing a 67.3% increase over the prior year period.

Looking forward, Champion REIT will continue to pursue a prudent strategy of generating stable and sustainable distributions for our Unitholders.

LO Ka Shui
Chairman



The year marked the **first major acquisition** by a Hong Kong listed REIT as **Langham Place was added to the Champion portfolio**. The acquisition has proved a timely one, and the addition of Langham Place's retail based income will serve to reduce Champion REIT's dependence on the financial sector.



Leasing activity at Champion REIT remained brisk in 2008 and Total Revenue increased by 92.4% to HK\$1,613.8 million on the back of higher rental levels at Citibank Plaza, and the addition of Langham Place to the portfolio.



in retrospect

Leasing activity at Champion REIT remained brisk in 2008 and Total Revenue increased by 92.4% to HK\$1,613.8 million on the back of higher rental levels at Citibank Plaza, and the addition of Langham Place to the portfolio. The acquisition of the Langham Place Mall and the Langham Place Office Tower was a large one by any measure but their operations have been seamlessly integrated into our operating structure. In the coming years, full-year accounting of the income from Langham Place will significantly increase the weighting of its contribution to the Trust.

Operating expenses for 2008 were HK\$279.6 million. Progress has been made in rationalizing various operating costs and the expense ratio has been further improved to 17.3%, from 18.9%. With the higher revenue and a lower expense ratio, I am pleased to report that Net Property Income increased by 96.1% to HK\$1,334.2 million.



Net Property Income increased by **96.1%** to **HK\$1,334.2 million**.

FY2008	Revenue under Champion REIT		Revenue including pre-acquisition period	
	HK\$'000	%	HK\$'000	%
Citibank Plaza	1,205,983	74.7	1,205,983	64.0
Langham Place Office	146,874	9.1	257,318	13.7
Langham Place Mall ¹	260,979	16.2	419,852	22.3
Total	1,613,836	100.0	1,883,153	100.0

Notes

¹ including Langham Place Carpark income

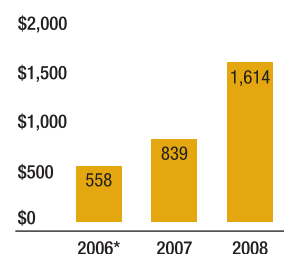
Citibank Plaza

Citibank Plaza remained the biggest contributor of income for Champion REIT. Occupancy in Citibank Plaza at year end 2008 remained at a high level of 97.9%, as compared to 96.9% a year earlier, a reflection of the tight supply situation for Grade-A office premises in the Central business district.

During the year, both spot rentals (the rental rate applicable to new leases and renewals) and passing rentals (the average rental rate of existing contracted tenancies) at Citibank Plaza continued to

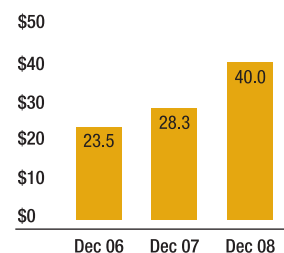
see an improvement. Spot rental rates achieved at Citibank Plaza were around HK\$120 per sq. ft. in the fourth quarter of 2008, 20% higher than that at beginning of the year. Much of the increase had occurred in the first half of the year. Following the onset of the global financial crisis in September 2008 there has been a significant weakening of market sentiments and the downsizing of financial institutions has resulted in marginally higher vacancy levels in Central. As a result, spot rent rates began to soften in the fourth quarter.

Total Revenue
in HK\$ (millions)

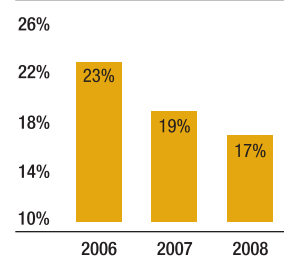


*annualized

Value of Properties
in HK\$ (billions)



Expense Ratio



Average Monthly Passing Rents

(HK\$ per sq. ft.)	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08
Citibank Plaza Office	67.06	68.50	68.95	70.69	72.71	72.95	75.42	77.32	78.91	80.35	86.95	87.83	87.46
Langham Place Office							26.47	26.50	26.53	26.43	26.78	26.62	26.79
Langham Place Retail							85.19	86.23	86.11	88.29	88.54	88.74	88.90

Notes

Citibank Plaza and Langham Retail rents are stated on lettable area while Langham Office is stated in gross floor area terms
Retail rents exclude revenue sharing rent

In 2008, the rent rates of about a third of the leases in Citibank Plaza by floor area were marked to market at generally higher levels through the renewal or reletting of expired tenancies and rent reviews on existing tenancies. As a result, the average passing rent rates saw a significant increase from HK\$67.06 per sq. ft. at the beginning of the year to HK\$87.46 per sq. ft. in December 2008.

Langham Place Office Tower

Rental rates for office spaces on the Kowloon Peninsula were somewhat more robust in 2008 after weakening in 2007 as market participants realized that the new supply in Kowloon West was mainly being taken up by tenants from Central rather than Kowloon. Langham Place's reputation as a proven quality development and its superior subway location have allowed the office tower to compete effectively for tenants against other buildings targeting the same market segment, thereby lending support to rental levels. The spot rent for office space at Langham Place was maintained at between HK\$32 to HK\$40 per sq. ft. throughout the second half of 2008 with increased support from location-sensitive lifestyle sector tenants.

The building remained virtually full throughout the last seven months of 2008 and the year-end occupancy rate was 98.3%. The increase in the passing rents has been marginal as only 4.2% of total floor area expired during the period.

Langham Place Mall

2008 was a year which saw Langham Place Mall firmly entrenching itself as one of the most popular shopping centres in Kowloon. The Mall remained almost fully let throughout the period and the year-end 2008 occupancy rate was 97.7%. With the substantial completion of a major revamp of its tenant-mix at the end of 2007 and the introduction of a number of highly popular new anchor tenants, together with some creative and well executed promotion programmes, footfall, i.e. the number of visitors, at the Mall jumped by 28% year-on-year in 2008. That has led to improved overall sales performance of the retailers in Langham Place, especially in the first three quarters of 2008, which in turn has supported strong rental reversions. Compared to the same period last year, there was a 12% rise in the average monthly gross sales per square foot at the Mall for the last six

months of 2008. 16% of total floor area was rolled over during this period, and the average passing rent rate of the Mall has increased to HK\$88.90 per lettable sq. ft. as of December 2008.

Sales of the tenants continued to show positive growth year-on-year in the fourth quarter on the back of heavy discounting and promotions by fashion retailers, though the pace of growth has slowed down.

Outlook

The performance of Champion REIT's properties has held up well in 2008, but in the year ahead operating conditions in the leasing market should become much more challenging. Major economic blocs around the globe are undergoing severe recessions. The financial and banking industry will possibly take a long time to stabilize and recover. In the near term, there will inevitably be a contraction in demand for office space in Hong Kong, especially in the Central business district. Under the circumstances, there will be significant downward pressure on office rent rates in the coming year.

We are maintaining a stable outlook for the Trust's income in 2009... full-year contribution of Langham Place will only be seen in 2009. The incremental contribution from the Langham Place properties should make up for the potential weakness in the income of Citibank Plaza in the coming year.

Fortunately, there will be no material new supply of Grade-A office in Central in the coming several years, which should soften the impact of the negative absorption. Vacancies at Citibank Plaza will clearly be on the rise in 2009. By floor area, 13.8% of Citibank Plaza will fall due for renewal, in 2009 with an additional 4.2% scheduled for rent reviews. We will prudently and pragmatically manage the leasing process to achieve an optimal balance between rent rates and occupancy.

Across the harbour, the overhang of major new supplies of office space in the peripheral Kowloon East area will be a concern. So far their impact on rental levels has been somewhat localized to that particular sub-market but given the worsening prospects of the trading sector, it is likely that the rest of Kowloon will be affected later this year. However the impact on Langham Place Office Tower will be limited for 2009, when only 5.0% of total floor area is scheduled for expiry. The superior location of Langham Place will also help maintain a substantial rental premium over peripheral properties.

The retail sector has so far been a brighter spot for the Hong Kong economy. Nevertheless, the relatively strong retail sales have been the result of very aggressive discounting by retailers in the past several months and the limited growth in unemployment in Hong Kong. As 2009 wears on and if the China economy should fail to achieve targets for economic growth, consumer spending in Hong Kong might contract. That would have a negative impact on the sales of retailers in general. The Langham Place Mall with its mid-market positioning should be better positioned to weather the potential adversities. We will nonetheless continue to intensify marketing and promotions at the Mall to augment our tenants' efforts to maintain sales momentum.

We are maintaining a stable outlook for the Trust's income in 2009. The small proportion of leases expiring in 2009 at Langham Place Office Tower should ensure limited downside to its rental income. Based on the latest leasing transactions at the Mall, there should be a

good chance that the current level of retail rental income can be maintained. This set of results for 2008 only incorporates approximately seven months of income from Langham Place, and a full-year contribution of Langham Place will only be seen in 2009. Therefore the incremental contribution from the Langham Place properties should make up for the potential weakness in the income of Citibank Plaza in the coming year.

LEE Ching Ming, Adrian
Chief Executive Officer



board of directors



Non-executive Director and Chairman

Dr. LO Ka Shui, aged 62, was appointed the Chairman and a Non-executive Director of the REIT Manager in 2006. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited. He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, 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 of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He

The Board is responsible for the overall governance of the REIT Manager including establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of Champion REIT, including a system of internal controls and business risk management processes.

has more than 29 years' experience in property and hotel development and investment both in Hong Kong and overseas. He is an elder brother of Mr. Lo Kai Shui, a Non-executive Director of the Company.

Non-executive Director

Mr. CHENG Wai Chee, Christopher, aged 60, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Cheng is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited. He is also a Non-executive

Director of several listed and unlisted companies, including NWS Holdings Limited, New World China Land Limited, PICC Property and Casualty Company Limited, DBS Group Holdings Limited and Temasek Foundation CLG Limited. Mr. Cheng plays an active role in public service. He is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service, a member of the Exchange Fund Advisory Committee of the Government of HKSAR, a member of the Council of University of Hong Kong, a steward of The Hong Kong Jockey Club,



a Non-executive Director of the Securities and Futures Commission and the former Chairman of the Hong Kong General Chamber of Commerce.

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 60, was appointed a Non-executive Director of the REIT Manager in 2007. 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 49, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Lo is the Deputy Managing Director of Great Eagle Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange and the founder of Sun Fook Kong Group Limited. He has more than 26 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors.



Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a younger brother of the Chairman, Dr. Lo Ka Shui.

Executive Director and Chief Executive Officer

Mr. LEE Ching Ming, Adrian, aged 57, was appointed Chief Executive Officer, an Executive Director and a Responsible Officer of the REIT Manager in 2008. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over 35 years. Prior to joining the REIT Manager, Mr. Lee has held senior management positions for more than 14 years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management

of marketing, leasing and sales activities, banking relationships, corporate communications and investor relations. He was also a Director and the General Manager of Eagle Property Management (CP) Limited, the Property Manager of Champion REIT. Mr. Lee also had over two decades of corporate real estate



lending and advisory experience with a multinational banking institution. Mr. Lee is at present a Non-executive Director of Recruit Holdings Limited.

Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Science degree.

Independent Non-executive Director

Mr. CHA Mou Sing, Payson, aged 66, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman of the Board of Directors of HKR International Limited and Hanison Construction Holdings Limited and an Independent Non-executive Director of New World Development Company Limited, all of which are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited and the Chairman of Mingly Corporation and a

Director of Asia Television Limited. Mr. Cha is also a committee member of the National Committee of the Eleventh Chinese People's Political Consultative Conference of the People's Republic of China. 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 43 years' experience in property development.

Independent Non-executive Director

Mr. ELDON David Gordon, aged 63, was appointed an Independent Non-executive Director of the REIT Manager in 2006. 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 in April 2005 and retired as Chairman of The Hongkong and Shanghai Banking Corporation Limited as well as the board of HSBC Holdings plc

in May 2005. He is now Senior Adviser of PricewaterhouseCoopers, Hong Kong. He is also Chairman of the Dubai International Financial Centre Authority, Noble Group Limited, former Chairman of the Hong Kong General Chamber of Commerce, an Honorary Steward of the Hong Kong Jockey Club, Special Adviser to the Korea National Competitiveness Council - Office of the President, 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. Eldon 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 63, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Shek is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. He is also a member of the Council of The Hong Kong University of Science and

Technology, a member of the Court of The University of Hong Kong, a Director of The Hong Kong Mortgage Corporation Limited and a Vice Chairman of Independent Police Complaints Council. Mr. Shek 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, Chuang's China Investments Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited, Country Garden Holdings Company Limited and SJM Holdings 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).

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

senior management

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 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.

Profiles of Executive Officers

Mr. LEE Ching Ming, Adrian *Chief Executive Officer*

Mr. Lee, 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. Lee is a Responsible Officer as defined under the Securities and Futures Ordinance.

Biographical information on Mr. Lee 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 identifying and evaluating potential acquisitions or investments and for investor relations. He is also responsible for the capital structuring of Champion REIT, including the planning and overseeing of capital

raising activities from the market. Mr. Choo has over 20 years of asset management experience in Hong Kong and Singapore as a licensed fund



manager and is well acquainted 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 is a Responsible Officer as defined under the Securities and Futures Ordinance.

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 more than 20 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 is a Responsible Officer as defined under the Securities and Futures Ordinance.

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 12 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 Chartered 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 14 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.

MANAGEMENT PHILOSOPHY

The REIT Manager remains committed to providing Unitholders with attractive total returns in the form of *stable and sustainable* Distributions 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.

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 proactively 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 used in the evaluation of acquisition opportunities:

Yield accretion

properties to be acquired should have strong existing or potentially higher rental income.

Potential for net asset growth

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 for 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 also be assessed.

Building specifications

should be best of class. Other aspects such as building condition, compliance with regulations will also be examined.

LASTING VALUE



financial review

DISTRIBUTIONS

Distribution Amount

Total distributable amount of Champion REIT was HK\$1,408,220,000 for the year ended 31 December 2008 as compared to HK\$669,822,000 for the same period last year. This amount was adjusted to eliminate the effects of non-cash finance cost in relation to interest rate swaps of HK\$66,868,000, equivalent to HK\$0.0151 per unit, which have been taken in the consolidated income statement.

It is the present policy of REIT Manager to distribute between 90% to 100% of Champion REIT's total distributable income plus any additional amounts at the discretion of the REIT Manager, to its unitholders. For the six months ended 31 December 2008, 100% of Champion REIT's total distributable income will be distributed.

Distribution per Unit

The distribution per unit for the six months ended 31 December 2008 is HK\$0.1410 (after adjustments for the waivers of distribution entitlements given by Fortune Mega Investments Limited and Wing Tai Corporation Limited on a total of 31,798,986 units). Such distribution per unit, however, is subject to dilution upon issuance of units to the REIT Manager for the settlement of manager's fee in respect of the second half of year 2008 and upon receipt of conversion notice, if any, in respect of the two convertible bonds before the record date. Further announcement will be made to inform unitholders of the final distribution per unit for the six months ended 31 December 2008.

With an interim distribution per unit of HK\$0.1788 and a final distribution per unit of HK\$0.1410, total distribution per unit for the year amounted to HK\$0.3198 (2007: HK\$0.3397). The distribution per unit of HK\$0.3198 represents a distribution yield of 15.4% based on the closing price of HK\$2.08 as at 31 December 2008.



Breakdown of Distribution per Unit

For 2008, Distribution per Unit attributable to underlying income sources was HK\$0.2188 while Distribution per Unit derived from yield enhancement mechanisms was HK\$0.1010. Further details are given in the table below.

Source of Distributions (HK\$ per Unit)	FY2008	FY2007
Interest savings from interest rate swap	0.0151	0.1083
Impact of GE Distribution Waiver	n/a	0.0862
Impact of non-GE Distribution Waiver	0.0023	0.0144
Unwinding of financial engineering	0.0836	n/a
Rental and other income sources	0.2188	0.1308
Total DPU	0.3198	0.3397

Distribution Reinvestment Arrangement

A distribution reinvestment arrangement is available to unitholders under which unitholders are entitled to have a scrip distribution alternative in lieu of a cash distribution. Unitholders can elect to receive their distribution in the form of cash, or in the form of new units of Champion REIT, or a combination of both.

An announcement providing further information on the distribution reinvestment scheme will be published on or about Thursday, 30 April 2009 and a circular containing the relevant details together with the relevant election form or entitlement advice will be sent to unitholders on or about Thursday, 30 April 2009.

Closure of Register of Unitholders

The record date for the final distribution will be Monday, 27 April 2009 (“Record Date”). The register of unitholders will be closed from Wednesday, 22 April 2009 to Monday, 27 April 2009, both days inclusive, during which period no transfer of units will be effected. The final distribution will be paid to persons who are registered unitholders as at the Record Date. The payment date will be on or about Wednesday, 27 May 2009.

In order to become registered unitholders on the Record Date and qualify for the distribution and the attendance of the annual general meeting, all completed transfers (accompanied by the relevant unit certificates) must be lodged with Champion REIT’s unit registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 21 April 2009.

Acquisition Activity

On 3 June 2008, Champion REIT completed the acquisition of the retail, carpark and certain office portions of Langham Place (“Acquisition”) from Great Eagle Holdings Limited (“Great Eagle”). The final consideration payable was approximately HK\$8,298 million and was satisfied by the issue of 781,221,000 new units to Great Eagle at HK\$3.60 per unit and cash. The repayment of all amounts under the pre-existing loan facilities (as stipulated in the sale and purchase agreement) of approximately HK\$4,301 million, the estimated ancillary costs of HK\$410 million and the cash portion of the final consideration were financed by:

- (1) the issue of 823,333,000 new units at HK\$3.60 per unit to independent third parties;

- (2) the proceeds of HK\$2,454 million drawn down from a new syndicated bank facility of HK\$2,954 million entered on 3 June 2008; and
- (3) the issue of convertible bonds due 2013 in the principal amount of HK\$4,680 million on 3 June 2008.

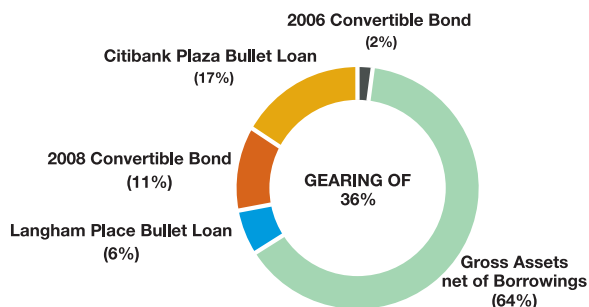
Debt Profile

As at 31 December 2008, total outstanding borrowings of the Trust amounted to HK\$14,899 million. The total borrowings comprised of:

- HK\$7,000 million term loan which is repayable in full in May 2011
- HK\$765 million convertible bonds which will mature in May 2011
- HK\$2,454 million term loan which is repayable in full in June 2013
- HK\$4,680 million convertible bonds which will mature in June 2013

The maturity profile of the Trust’s borrowings is as follows:

Maturity	Borrowings as at 31 December 2008	
	HK\$ mil	% of total
Due in the first year	—	—
Due in the second year	—	—
Due in the third year	7,765	52.1
Due in the fourth year	—	—
Due in the fifth year	7,134	47.9
Total	14,899	100.0



During the year under review, Champion REIT amended its interest rate swap agreements with a total notional principal of HK\$7,000 million such that the term loan of HK\$7,000 million will pay a fixed interest of 2.865% per annum until its maturity in May 2011. Upon the amendment of the interest rate swap agreements, the Trust was entitled to receive an amount of approximately HK\$290 million from the swap counterparty. The HK\$2,454 million term loan has an interest rate of HIBOR plus 0.59% per annum. As at 31 December 2008, 84% of the Trust’s debt (including the convertible bonds) had fixed interest rates.

The two outstanding convertible bonds issued by two controlled entities of the Trust have the following features:

Issued in	Convertible Bonds	
	Year 2006	Year 2008
Principal amount	HK\$765 million	HK\$4,680 million
Yield to maturity	4.15%	5.25%
Coupon rate	2% per annum	1% per annum
Maturity date	23 May 2011	3 June 2013
Redemption price	110.328%	123.94%
Latest adjusted conversion price	HK\$4.32	HK\$4.39

As at 31 December 2008, total gross assets of the REIT were HK\$41,385.1 million. Therefore, the gearing ratio, or total borrowings as a percentage of gross assets, was 36.0%. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 42.4%.

Net Assets Attributable To Unitholders

As at 31 December 2008, net assets attributable to unitholders was HK\$23,828.5 million or HK\$5.37 per unit, a 158.2% premium to the closing unit price of HK\$2.08 as at 31 December 2008.

Cash Position

As at 31 December 2008, Champion REIT had total undrawn bank loan facilities of HK\$700 million and cash balance of HK\$1,115.4 million. Taking into consideration the financial resources available to the REIT, Champion has sufficient liquid assets to satisfy its working capital and operating requirements.

Pledge Assets

As at 31 December 2008, properties of Champion REIT with a fair value of HK\$40,049 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and other income generated from properties, were mortgaged to the bond trustees to secure the obligations of the issuer of the convertible bonds or pledged to secure the banking facilities granted to the REIT.

Commitments

As at 31 December 2008, the Trust had capital expenditures contracted for but not provided for in these financial statements amounting to HK\$31.1 million. Other than set out above, the Trust did not have any significant commitments as at 31 December 2008.

Rental Stabilisation 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, the actual New Property Income (as defined in the Agreement) for the two six-month periods ended 30 June 2008 and 31 December 2008 were equivalent to HK\$25,783,000 and HK\$26,743,000 respectively. When compared to the stabilisation amount of each six-month period of HK\$30,992,000 under the rental stabilisation arrangement pursuant to the Agreement, variances of HK\$5,209,000 and HK\$4,249,000 respectively had arisen for the two six-month periods ended 30 June 2008 and 31 December 2008 respectively. Accordingly, sums of approximately HK\$5,209,000 and HK\$4,249,000 were paid to the Trust on 30 June 2008 and 31 December 2008 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, has fulfilled their obligations under the Arrangement for the financial year ended 31 December 2008.

Major Estate Agents and Contractors

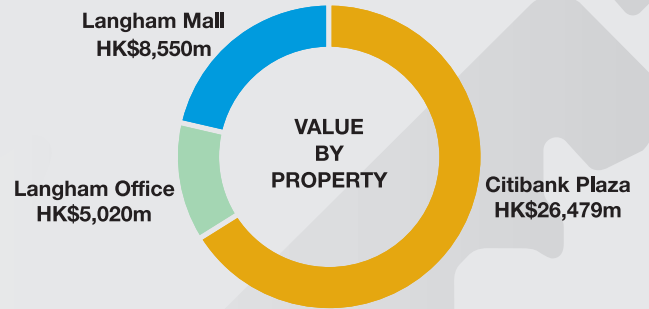
The top five real estate agents and contractors and their respective value of service were as follows:

Real Estate Agents and Contractors	Nature of Service	Value of Contract	Relevant Cost
		HK\$	%
The Great Eagle Properties Management Company, Limited	Building management	124,886,000	53.7
Eagle Property Management (CP) Limited	Leasing and marketing	63,018,000	27.1
Longworth Management Limited	Building management	17,692,000	7.6
R Two (HK) Ltd	Promotion expenses	4,029,000	1.7
Jones Lang LaSalle Ltd	Rental commission	3,154,000	1.4
Total		212,779,000	91.5

property at-a-glance

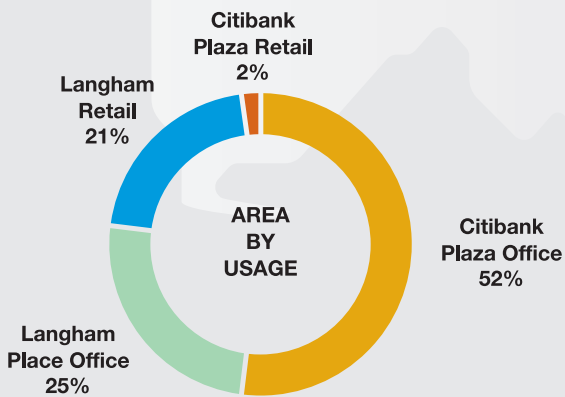
The total appraised value of Champion REIT's properties is

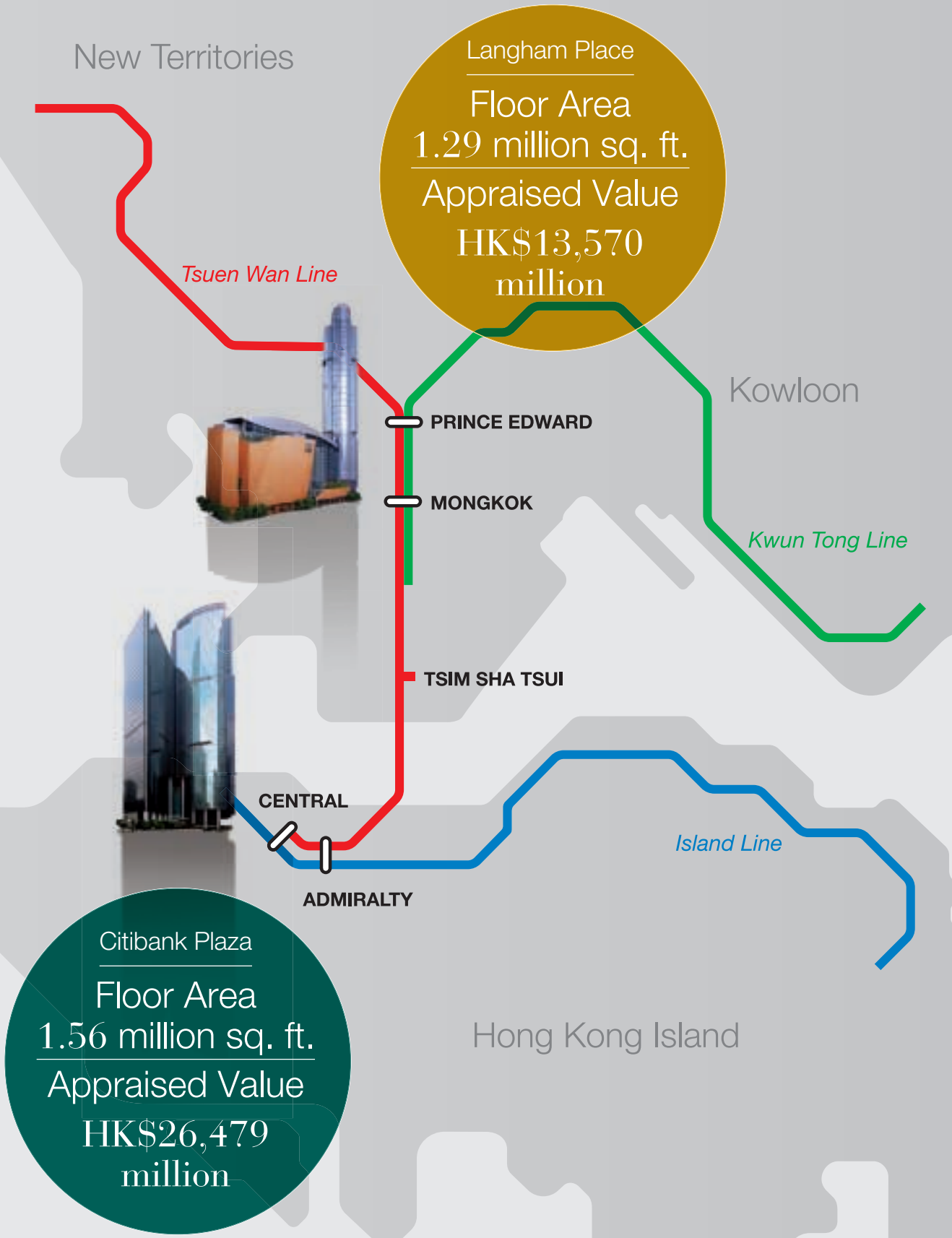
HK\$40.05 billion



The total floor Area owned by Champion REIT's is

2.85 million sq. ft.





A PREMIUM CHOICE

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



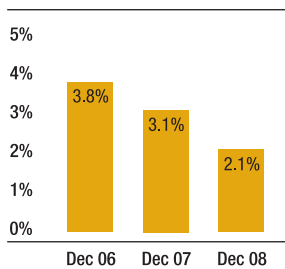


citibank plaza

With a gross floor area of almost 1.6 million sq. ft., Citibank Plaza is one of the biggest office complexes in Hong Kong



Vacancy at Citibank Plaza



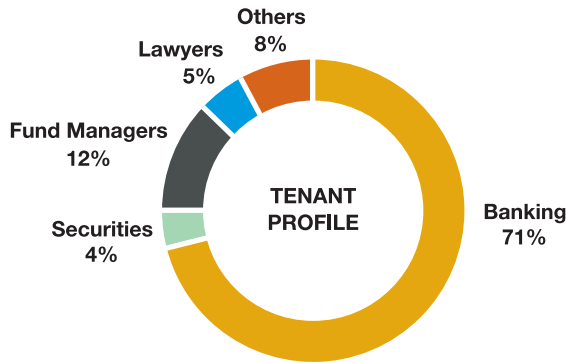
Prime Asset

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. It 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 lettable 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 facades, 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,



Citibank Plaza Building Statistics

ASSESSED VALUE*
HK\$26.48 billion

HEIGHT
**205m
 47 storeys**

YEAR OF COMPLETION
1992

TOTAL FLOOR AREA*
1,559,000 sq. ft.

LETTABLE OFFICE AREA*
1,170,000 sq. ft.

LETTABLE RETAIL AREA*
43,000 sq. ft.

MAXIMUM GROSS FLOORPLATE
34,000 sq. ft.

CAR PARK SPACES
558

NO. OF TENANTS*
78

OCCUPANCY RATE*
97.9%

* only Champion REIT's portion

Citibank Plaza: Leasing and Property Management Team



Ms. LAM Yuk Lin, Violin
General Manager, Leasing

As General Manager, Ms. Lam is responsible for formulating and implementing 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.



Mr. Andrew TSANG
Assistant General Manager,
Building Management

Mr. Tsang ensures that the responsibilities of the building management team, as specified under the existing Deed of Mutual Covenant for the property, are carried out. He has been working in the property management industry for over 20 years in Hong Kong and the People's Republic of China.

Mr. Tsang holds a Second Honours Degree in Estate Management, Master Degree from University of Warwick and Master Degree in

Housing Management from Hong Kong University. He is also a professional member of Australian Institute of Building, Chartered Institute of Building, Association of Building Engineers and Hong Kong Institute of Housing. He is also a registered Professional Housing Manager under the HK Housing Managers Registration Board.



Ms. MOK Lai Shim, Billian
Chief Estate Manager

Ms. Mok is Citibank Plaza's full-time DMC on-site manager and is primarily responsible for building management, repair and upkeep of common areas, facilities, structures and equipment, the operation and maintenance of the building services and safety systems. 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).



Ms. LO Siu Yan, Edith
Assistant Manager, Leasing

Ms. Lo has joined the Property Manager in 2008, and is responsible for the leasing and marketing of Citibank Plaza and analysis reports in relation to tenancies. She has 10 years of experience in the real estate industry.

Ms. Lo holds a Bachelor of Science (Honours) degree in Real Estate from The Hong Kong Polytechnic University. She is also a member of the Hong Kong Institute of Surveyors (General Practice Division).

Q What is the difference between Property Manager and DMC Manager?

A The Property Manager is appointed by the Trust for the purposes of marketing and leasing the portion of the building owned by Champion REIT and its fees are paid by the Trust. It also provides tenant services on behalf of the landlord and administers rental collection.

The DMC Manager is jointly appointed by all co-owners of the property for the purposes of providing building management services under a Deed of Mutual Covenant. Its duties include the management and upkeep of common areas and facilities. The DMC Manager's fees are paid through a DMC fee levied on tenants, independent of rent.



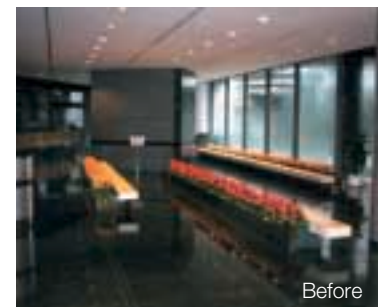
raised flooring to facilitate cabling and flexibility in office configurations, a central computerized control center and a master satellite signal distribution system. Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial 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 chilled water facilities to data centres during power outages. It also operates an intelligent heat detection system which can prevent the unintentional activation of sprinklers.

Asset Enhancement

During 2008, the lower ground lobby was refurbished from an underused space into a trendy lounge area to provide tenants with a casual meeting place outside the

office. Food and beverages outlets are conveniently located at the perimeter of the lounge.

To cater to the growing need for ever higher requirements for emergency power and back-up chilled water supply for server rooms and trading areas, upgrading of Citibank Plaza's emergency backup systems commenced in late 2008. By mid 2009, the emergency power capacity available for tenant use will be increased by 70% and the capacity to provide back-up chilled water will be increased by half. To further enhance the specifications of Citibank Plaza, security turnstiles will soon be added on the upper ground lobby to automate control of lift access to office floors. Upon completion of these projects, Citibank Plaza will be very well positioned to compete for top tier banking and financial tenants.



ANGHAM PLACE





Shop
till you
drop

langham place



Completed in 2004, Langham Place immediately became a defining landmark of Mongkok, a prime retail and commercial district of Kowloon

Premium Asset, Prime Location

Langham Place is an integrated commercial development which comprises a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark and a 42-storey 5-star hotel. The project occupies two entire city blocks defined by Argyle Street, Portland Street, Shantung Street and Reclamation Street and is the largest urban renewal project in Hong Kong with

a Total Floor Area of almost 2 million sq. ft. Completed in 2004, Langham Place immediately became a defining landmark of Mongkok, a prime retail and commercial district of Kowloon and an important hub for Hong Kong's major public transportation networks. Langham Place is directly linked via a pedestrian tunnel to the Mongkok Interchange of the Mass Transit Railway. The portion of Langham Place that Champion REIT owns is the entire Langham Place Mall

and carpark and all but 4 floors of the Langham Place Office Tower. In percentage terms, this is equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place.

Fashion Mall Redefining Mongkok

The Langham Place Mall has several unique modern architectural and design features. From the surrounding shopping district, its distinctive multi-faceted facade of Fissured Brazilian Granite is immediately recognizable. Among its internal features are a Grand Atrium enclosed by 9-storey tall glass curtains showcasing the surrounding street-level activity, the world's longest indoor escalators and a 'Digital Sky' projected onto the mall's ceiling. For its innovative design, the Langham Place Mall has received several awards from parties such as the International Council of Shopping



1. Dual glass curtain facade housing the Grand Atrium.
2. The New Year's Eve pilgrimage to the Langham Place Ozone Level.

Langham Place Building Statistics

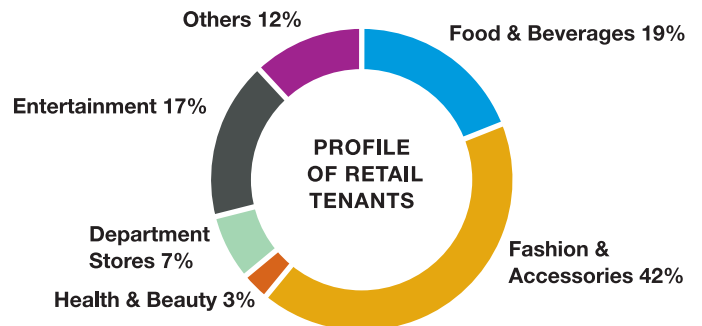
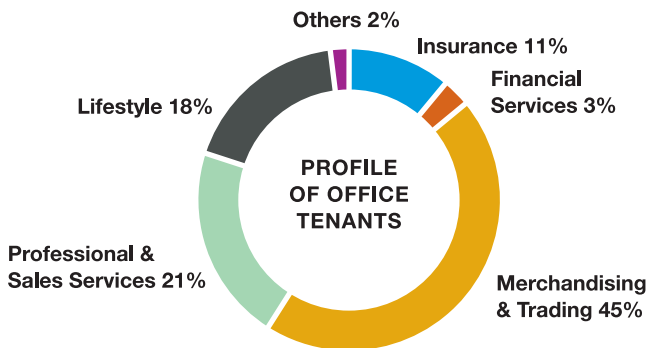
ASSESSED VALUE*
HK\$13.57 billion

YEAR OF COMPLETION
2004

TOTAL FLOOR AREA*
1,559,000 sq. ft.

CARPARK SPACES
250

* only Champion REIT's portion



Among its internal features are a **Grand Atrium** enclosed by **9-storey tall glass curtains** showcasing the surrounding street-level activity, **the world’s longest indoor escalators** and a **‘Digital Sky’** projected onto the mall’s ceiling.



Centers and the Institution of Structural Engineers Awards.

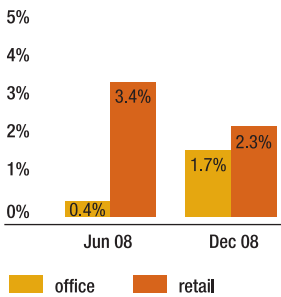


been the venue of choice for fan and media events by local and foreign pop-celebrities alike. Some of the local entertainment personalities hosting events at the Langham Place Mall in 2008 include Miriam Yeung, Charlene Choi and Kay Tse. Overseas pop-celebrities who chose Langham Place for their events include Leah Dizon, Thelma Aoyama, Mikuni Shimokawa from Japan and S.H.E. from Taiwan.

Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion trends. Each day, 200,000 to 300,000 shoppers visit the mall to look for the latest in hip and trendy apparel, accessories and cosmetics. The mall also houses over 30 food and beverage outlets, a games arcade and a cineplex to compliment the shopping experience. Because of its immense popularity among teens and young adults, Langham Place Mall has

In early 2008, a large-scale original art project to pioneer a new kind of art collaboration under the theme of zodiac signs was undertaken, resulting in the establishment of the Spiral Stars Gallery. Displayed throughout the Spiral of the mall are twelve large horoscope sculptures created by Hideki Kawabata, a renowned aluminium sculptor and illustrator from Japan. Descriptions for each star sign have been provided by Jupiter, a popular astrologer in Hong Kong. The sculptures ‘interpret’ the fortune of visitors born under

Vacancy at Langham Place





Langham Place: Leasing and Property Management Team



Ms. LEUNG Wai Mun, Vivian
General Manager, Leasing and Marketing

Ms. Leung is the team leader for the leasing, promotion, marketing and public relation activities of Langham Place. Ms. Leung has over 18 years' experience in the advertising and marketing industry. Prior to joining the Property Manager, she worked for various advertising agencies and held senior marketing and business development positions with a number of publishing and marketing companies.

Ms. Leung holds a Bachelor of Arts degree from York University of Canada.



Ms. CHAN Fung Kam, Jean
Senior Leasing Manager

Ms. Chan is responsible for the leasing and tenancy management of Langham Place and has over twelve years' experience in the property leasing field. Prior to her present job, she worked for various property developers in Hong Kong.

Ms. Chan holds a Master of Science degree in Real Estate majoring in Surveying from The University of Hong Kong and a Bachelor degree of Business Studies from The City University of Hong Kong.



Ms. AU-YEUNG Hon Yuk, Makey
Senior Marketing Manager

Ms. Au-Yeung is responsible for marketing, promotion and public relations activities of Langham Place. She has over 17 years' experience working for various marketing and public relations firms and had held the position of editorial consultant for a number of well established publishing houses.

Ms. Au-yeung holds a Higher Diploma in Chinese Translation and Interpretation from the Hong Kong Polytechnic University.



Mr. David CHIU
Assistant General Manager, Building Management

Mr. Chiu is responsible for the overall property management of Langham Place. He has more than 20 years experience in managing quality retail and

commercial properties. Prior to joining the Langham Place team in 2004, he worked for various leading listed property companies in Hong Kong.

Mr. Chiu holds a Diploma in Housing Management from the University of Hong Kong, and a Bachelor of Arts degree from the Concordia University, Montreal Canada. He is also a member of the Institute of Housing, United Kingdom and a member of the Chartered Institute of Housing, Hong Kong.



Mr. CHAN Chor Kiu, Desmond
Chief Estate Manager

Mr. Chan is responsible for building management of the shopping mall, office tower and car park at Langham Place. Prior to joining the management team of Langham Place in 2006, he worked for several of Hong Kong's leading listed property companies and has over 15 years' experience in the property management industry.

Mr. Chan holds a Bachelor's degree in Housing Management from the University of Hong Kong, Diploma in Surveying from the College of Estate Management. He is also a member of the Hong Kong Institute of Housing, the Chartered Institute of Housing (United Kingdom) and a registered professional housing manager in Housing Managers Registration Board.



Mr. K.F. YEE
Chief Technical Manager

Mr. Yee is responsible for overseeing the technical management of Langham Place. With over 27 years of practical work experience in the engineering industry since 1981, Mr. Yee has worked for many of Hong Kong's biggest listed property companies investing in both commercial and residential buildings during his career.

Mr. Yee graduated holds a Master of Science degree in Building Services Engineering from the University of Hong Kong and a Bachelor of Engineering (Honors) degree in Building Services Engineering from the Hong Kong Polytechnic University. He is a Registered Professional Engineer in the building services, electrical and fire engineering disciplines with the Hong Kong Engineers Registration Board and is a Chartered Engineer of the U.K. Engineering Council. Mr. Yee is also a Registered Safety Officer, a Registered Safety Auditor and a corporate member of the Hong Kong Institution of Engineers, the Chartered Institution of Building Services Engineers, the Institution of Engineering and Technology and the Energy Institute.



1. Costumed revelers celebrating late into the night on Halloween, at the Ozone bar and restaurant level.
2. 2008's hot new J-Pop star Thelma Aoyama holds the Hong Kong Launch of her debut 'Diary' album at Langham Place.
3. To celebrate the Beijing Olympics, Guinness World Record holder Bryan Berg uses cards to build the 'Olympic Village' in Langham Place.

the corresponding zodiac sign under different categories such as romance, money or career and have proven to be a major attraction for visitors to the mall.

Mongkok's Preferred Office Address

The Langham Place Office Tower is a modern 59 storey Grade 'A' building that is the preferred corporate address in Mongkok. It is covered in distinctive reflective blue glass and topped off with a large colour-changing dome visible from as far as Hong Kong island at night. As the building is conveniently located in a core retail district(s) it services mainly the

retail, merchandizing and wholesale sectors. At 255 meters, it was the tallest office building on the Kowloon Peninsula when it was launched in 2004 and offers an unobstructed panoramic view of the surrounding area.

Tenants are provided with the latest in Grade 'A' specifications, including fiber optic wiring, raised flooring, emergency power supply and master satellite signal distribution. Being a relatively new building, there is central computerized control of the climate, fire alarm, lift and lighting systems.

Langham Place Building Statistics

office

HEIGHT
255m,
59 storeys

LETTABLE AREA*
702,911 sq. ft.

MAXIMUM FLOORPLATE
17,400 sq. ft.

NO. OF TENANTS*
66

OCCUPANCY RATE*
98.3%

retail

HEIGHT
15 storeys

LETTABLE AREA
319,075 sq. ft.

NO. OF TENANTS
198

OCCUPANCY RATE
97.7%

* only Champion REIT's portion




WORLD
OF
GREEN

en

Drinking safe
environment





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.

corporate social responsibility



One energy-saving feature common to both of Champion REIT's properties is the use of large multi-story glass curtain walls to provide atrium and lobby areas with natural lighting.



Health and Safety

Champion REIT's properties contain many of the environmental and safety features expected of modern premium grade properties, including computerized automatic fire detection and alarm systems and emergency power to common areas when there is a power failure event. Regular fire drills are also conducted. A safe working environment and in particular air quality is a very important factor for office tenants and high standards for air quality and circulation are maintained. Citibank Plaza 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. As Langham Place was only recently built, it conforms to even stricter health and safety standards than Citibank Plaza. Nevertheless, various projects resulting in more optimized ventilation and increased dehumidification were undertaken at Langham Place during the year.

The relaxation and cardiovascular needs of the tenants are an integral part of the Champion REIT success formula. Citibank Plaza is home to a 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. Langham Place contains a 70,000 square feet fitness and well-being centre, purportedly housing the world's largest Yoga studio, as well as many smaller spas.

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

Langham Place Mall participated in Power Smart 2008 and received an Energy Conservation Award from the Friends of the Earth.

while global warming is ameliorated. Accordingly, there is an ongoing initiative to reduce the energy footprint of Champion REIT's properties. One energy-saving feature common to both of Champion REIT's properties is the use of large multi-story glass curtain walls to provide atrium and lobby areas with natural lighting. At Langham Place, this feature is particularly noticeable and anyone can look through the 9 storey mall atrium and see the neighbourhood buildings on the other side. Reflective coatings along the primary glass walls provide additional energy savings by reflecting heat while allowing light to enter the interior.

Both of our properties also boast 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 and turned off for unused areas. Within the Langham Place complex, covering both the office and retail sections, a Temperature Reset Control system was implemented in 2008 which now regulates chilled water supply according to the prevailing air temperature outside the building.

One novel energy-saving feature at Langham Place is the optimization of lift loading for the office tower, where passengers choose which floor they are going to before entering the lift. The



computerized system then directs to the same lift all passengers headed for the same floor. An energy audit on Citibank Plaza's building mechanical and electrical systems by an external consultant was carried out at the end of 2008. Citibank Plaza should be able to further improve its energy efficiency in 2009 based on conclusions from this audit.

Langham Place Mall participated in Power Smart 2008 and received an Energy Conservation Award from the Friends of the Earth.

Social Responsibility

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. Langham Place maintains a pedestrian system consisting of bridge and underground tunnel that allows easy and safe access from the MTR Station to the community centre and minibus depot on Shanghai Street.

Many events and campaigns to raise funds for charitable concerns were organized at the Langham Place Mall in 2008 and in total, over HK\$2 million of donations were collected. The most successful of these was the Spiral Stars Gallery, where approximately HK\$1.5 million of donations were accumulated through collection boxes built into the 12



1. Make-A-Wish Foundation charity event held in conjunction with Langham Place's Spiral Stars Gallery.
2. The Taiwanese pop group S.H.E. making a HK\$100,000 donation to World Vision at a Langham Place event.
3. An art exhibition and charity sale at Citibank Plaza. Featuring the works of Mr. Chen Jiagang, it raised funds for reconstruction efforts following the 2008 Sichuan Earthquake.



zodiac sculptures of the gallery. As the gallery is a permanent addition to the mall, money will continue to be collected for charitable causes for the foreseeable future. Another major source of donations was the Wishing Star campaign held during the Christmas season where donations were collected in exchange for gift redemptions and photography & gift wrapping services. Recipients of proceeds include the Make-A-Wish Foundation, World Vision, The Hong Kong Federation of Youth Groups.

During the year, Citibank Plaza hosted a four day art exhibition and charity sale featuring the works of Mr. Chen Jiagang. The net proceeds of art sales were donated to Habitat for Humanity, for the express purpose of aiding reconstruction

efforts following the 2008 Sichuan Earthquake. Habitat for Humanity is an international non-governmental organization dedicated to eliminating poverty housing. At the Langham Place Office Tower, funds were collected for earthquake relief efforts as well, in

conjunction with World Vision and the Hong Kong Red Cross. Two Blood Donation events were conducted at the Langham Place Office Tower during the year and management staff participated in the Heart-to-Heart Charity Walk organized by Children's Heart Foundation.

Many events and campaigns to raise funds for charitable concerns were organized at the Langham Place Mall in 2008 and in total, over HK\$2 million of donations were collected.

Appetite

From



investor relations

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

The REIT Manager took the unprecedented step of unwinding the Trust's financial engineering in 2008. It has also disclosed which portions of its 2008 distributions are derived from non-operational sources, so investors can derive the underlying yield of Champion REIT in a straightforward manner.

Dialogue with 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 to stakeholders is one of the REIT Manager's priorities. This interaction will provide clarity on the Trust's financial performance, as well as highlight growth areas and investment strategies. The candid feedback of the investment community to the REIT Manager has been an important factor in management's decision making processes in the past and this dialogue will continue to play a role in shaping future policy.

The Trust has been improving on its transparency and disclosure standards. To facilitate financial forecasts, the REIT Manager took the unprecedented step of unwinding the Trust's financial engineering

in 2008. It has also disclosed which portions of its 2008 distributions are derived from non-operational sources, so investors can derive the underlying yield of Champion REIT in a straightforward manner. It has also begun disclosing in the interim results a detailed breakdown of property valuation parameters, containing much of the same information included in the annual year-end valuation.

Research Coverage and Trading Liquidity

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, the REIT Manager met with over 300 counterparties in company visits and during roadshows in Australia, Europe, the Middle East, North America and Asia. In addition, Champion REIT's management has been a speaker or corporate participant at various overseas investor conferences. As a testament to

the bluechip standard of Champion REIT, the US\$1 billion funding exercise for the acquisition was successfully completed in May even in the face of challenging market conditions and the transaction garnered 'Best Hong Kong Deal' awards from FinanceAsia and IFR Asia.

The number of analysts issuing research on the Trust is important as independent third-party research has strong implications for institutional ownership and trading liquidity. In the past year, HSBC, Daiwa, JP Morgan have added Champion REIT to their research universe. This brings total analyst coverage to 10, as compared to the Hong Kong REIT average of 5.7. The total trading volume for 2008 was 1,861 million units, more than double of the 918 million units traded in 2007.



www.ChampionReit.com

The Champion REIT website 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 REIT Manager can be viewed or downloaded. The website's functionality goes beyond document dissemination. 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.

tenant & shopper comments

SEIBU, LANGHAM PLACE MALL

We were very excited that Hong Kong Seibu was one of Langham Place's anchor tenants when the complex opened in October 2004. Since then, Langham Place has achieved an iconic status in Mongkok recognised as an essential shopping and leisure destination for both local and tourist consumers. By working together with Champion REIT, we have seen significant growth in our business volumes which has been fuelled by increasing customer traffic as well as exciting and innovative marketing programmes. We are delighted that our business partnership has been so fruitful, and look forward to continuing this success for many years to come.

Mr. Edwin Ing
Executive Director, Dickson Concepts (International) Limited



MUJI, LANGHAM PLACE MALL

The development of Langham Place (where Muji has a store) has refreshed the shopping environment of Mongkok. Its location in the hub of Kowloon drives the highest shoppers traffic and the attractive trade mix enriches shoppers' wants with a wide variety of choices. The sophisticated mall management team provides us with professional and comprehensive support services. In addition, both customers and tenants are benefiting from the mall's effective festive promotions and marketing events.

Ms. Dora Hung
General Manager, Muji (Hong Kong) Company Limited



UA CINEMAS, LANGHAM PLACE MALL

UA Cinema Circuit Limited is a proud partner at the Langham Place Mall and shares our fantastic success with the professional Langham Place team. Beginning with the Grand Opening in November 2004 until today, UA Cinemas is extremely pleased

with the impressive cooperation of the Langham Place marketing teams' promotional campaigns, especially those joint promotions on major blockbuster films that have drawn many new shoppers and visitors to the mall and subsequently have greatly benefited the cinema. The landlord is very attuned to our needs as a cinema tenant and have been instrumental in the phenomenal success of the cinema.

Langham Place Mall management understands our business needs and works closely with our company to insure the continuing success of our cinema. In no small part, the Langham Place management and marketing teams have helped UA Langham Place Cinemas to become the top performing cinema in Hong Kong in box-office revenue and attendance. UA Cinemas is pleased that Langham Place continues to be proactive and to update

the tenant mix that compliments and reinforces our cinema-going demographic.

Mr. Bob Vallone
Director & General Manager, Lark International Multimedia Limited



SEARS, LANGHAM PLACE OFFICE TOWER

Sears Holdings Global Sourcing (SHGS) has been a tenant in Langham Place for nearly 18 months and we have been happy with our choice of Langham Place Office Tower. The location over the Mongkok MTR provides fast and easy access to the SHGS office for our 600 associates, service providers and vendors. In addition, Langham Place Hotel provides convenience and first class facilities for our overseas associates during their buying trips to Hong Kong. Langham Place Office Tower is professionally managed and it is a pleasure to work with the building management who have the flexibility to deal with daily issues as well as the expertise to deal with long term challenges in maintaining a first class working environment.

Mr. Rick Harrison
Vice President, Sears Holdings Corporation





My friends and I like to hang out at Langham Place. It has a lively atmosphere and sells the latest fashion and accessories, not that luxury stuff you need to be a millionaire to afford. There are quite a few one-of-a-kind shops in the Spiral and I sometimes find great bargains. I know this shop where there is only one of every item, so no one will appear in the same dress as me. How cool is that? The food is affordable and there is a wide variety of restaurants, bars or fast food places to choose from, I don't know exactly how many, maybe 50?

Ms. Peggy Ip
Shopper at the Langham Place Mall



Langham Place is the cosmetic capital of Hong Kong, every brand I could ever want is here. And it isn't just cosmetics, there is a good selection of shoes and stores from several fashion chains as well. Oh and the shops are arranged conveniently so I know which floor I want to go to find what I need. Plus, I can go do my yoga or have a facial together with my shopping. I also like the idea of having an adjoining hotel, so I can relax and have tea with my friends when I'm done.

Ms. Miranda Szeto
Shopper at the Langham Place Mall



I'm a night person and I like the fact that the mall opens till very late. Where else could you catch a movie after work and then still go shopping after that? Many of my favourite bands have gigs at LP and sometimes I come just to enjoy the music and have a drink at the Ozone. Its easy to travel to and from Langham Place too, even at night.

Mr. Chan Wai Lok
Visitor to the Langham Place Mall

“ Citibank Plaza is certainly one of the most user-friendly office spaces I have worked in. I am quite happy with the design and tenant mix of the retail space on the lower ground floor. On a typical day, I will visit one of the two coffee vendors for a hot cup of freshly-brewed java in the morning, grab a sandwich or hot meal for lunch, and stop by the ATM machines and convenience store during the day for snacks and fast cash. I'm particularly impressed with the renovation program completed late last year, where the management installed a number of lounge chairs with round coffee tables, converting an originally empty common area into a warm public space where people gather and linger. Citibank Plaza cares for the comfort and convenience of the professionals working here, and that sets the bar for the standard of working environment in this part of Central.

Ms. Ada Wong,
office occupant of Citibank Plaza

“ I believe Citibank Plaza is the only office block in Hong Kong that has a big garden right next door – which is really a big treat. A stroll through the park at lunch time relaxes your thoughts and provides a good break from the stress of working in the financial heart of Hong Kong. At the park, you can see school children with their teachers exploring nature and yet feeling the positive energy of the financial district. The office building always has a positive buzz around it. The location of Citibank Plaza is central and yet tenants would manage to avoid the traffic bottle neck in the morning. Its central location between Central and Admiralty always create a dilemma for me at lunch time – should I go left or right?

Ms. Seetoh Lin Yoke,
office occupant of Citibank Plaza





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

23/F Two Exchange Square
Central, Hong Kong

EA Licence: C-023750
savills.com

16 February 2009

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 2008 (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.

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\$35 to HK\$280 per sq.ft. of Gross Rentable Area for retail space and HK\$45 to HK\$160 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 rate for both the retail and office accommodation is 5.25%.

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\$7,000 to HK\$15,000 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.

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

Valuation Consideration

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

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

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

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing 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 24 years experience in the valuation of properties in Hong Kong.

Enc

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 2008</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 border="1"> <thead> <tr> <th colspan="3">Total Floor Area</th> </tr> <tr> <th>Use</th> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>5,362.41</td> <td>57,721</td> </tr> <tr> <td>Office</td> <td>139,498.05</td> <td>1,501,557</td> </tr> <tr> <td>Total</td> <td>144,860.46</td> <td>1,559,278</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">Gross Rentable Area</th> </tr> <tr> <th>Use</th> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>3,956.99</td> <td>42,593</td> </tr> <tr> <td>Office</td> <td>108,722.50</td> <td>1,170,289</td> </tr> <tr> <td>Total</td> <td>112,679.49</td> <td>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 April 2012, yielding a total monthly rental income of approximately HK\$1.24 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 November 2007 to October 2008 is approximately HK\$93,000.</p> <p>The office portion of the Property is let under various tenancies for various terms with the last expiry date in August 2014, yielding a total monthly rental income of approximately HK\$102.2 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 97.9%.</p>	<p>HK\$26,479,000,000</p>	<p>4.80%</p>
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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 2007 to November 2008 is approximately HK\$1,075,000 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 August 2011, yielding a total monthly licence fee of approximately HK\$63,000 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:-

<u>Registered Owner</u>	<u>Portion of the Property</u>
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

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 2008
Retail	HK\$277,100,000
Office	HK\$25,648,300,000
Carpark	HK\$255,100,000
Miscellaneous	HK\$298,500,000
Total:	HK\$26,479,000,000

VALUATION REPORT

- (14) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile as at 31 December 2008 (excluding car parking spaces and miscellaneous areas) is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	1,187,447	97.9
Vacant	25,435	2.1
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
2004	340,891	28.7	28,125,892	27.2	7	6.2
2005	76,001	6.4	6,843,616	6.6	5	4.4
2006	99,505	8.4	6,753,288	6.5	15	13.3
2007	291,810	24.6	24,935,824	24.1	46	40.7
2008	379,240	31.9	36,798,588	35.6	40	35.4
Total	1,187,447	100	103,457,208	100	113	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2009	167,451	14.1	14,579,333	14.1	34	30.1
2010	485,363	40.9	38,759,529	37.4	44	38.9
2011	323,059	27.2	32,258,505	31.2	22	19.5
2012	52,435	4.4	3,812,437	3.7	6	5.3
2013	41,053	3.5	3,817,929	3.7	2	1.8
2014	118,086	9.9	10,229,475	9.9	5	4.4
Total	1,187,447	100	103,457,208	100	113	100

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	34,701	2.9	4,273,404	4.1	5	4.4
2	152,717	12.9	12,195,085	11.8	33	29.2
3	452,329	38.1	40,684,447	39.3	47	41.6
4	49,209	4.1	3,865,498	3.7	6	5.3
5	53,792	4.5	5,147,718	5.0	6	5.3
6	295,885	24.9	24,475,083	23.7	11	9.7
8	41,053	3.5	3,817,929	3.7	2	1.8
9	2,325	0.2	194,138	0.2	1	0.9
10	105,436	8.9	8,803,906	8.5	2	1.8
Total	1,187,447	100	103,457,208	100	113	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 Stock¹

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 fold between 1980 and 2007.

At the end of 2007, Grade 'A' office space (65 million sq.ft.) accounted for approximately 60 per cent of all office stock, while the remaining 40 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 21 per cent of total office stock of all grades (23 million sq.ft.) and 26 per cent of the total stock of Grade 'A' offices (17 million sq.ft.) in 2007. Central, together with the other traditional business districts of Wanchai / Causeway Bay and Tsimshatsui, represented more than 55 per cent of total Grade 'A' office stock at the end of 2007.

Rental Trends

The financial turmoil which began in early 2008 and intensified in September after Lehman Brothers filing for bankruptcy disrupted the stock market and had an impact on property market sentiment, both of which had proved fairly robust since the containment of SARS in 2003. The office sector was the first to experience the effects with rounds of layoffs in the financial industry causing an acute decline in demand for office space, in particular in core areas, though no large-scale surrender or hand back of space have been noted from investment banks and asset management houses thus far.

According to the provisional figures of the Rating and Valuation Department, the average Grade 'A' office rent rose by around 147 per cent from the end of September 2003 to the end of August 2008 before declining by 2 per cent up to November 2008. An even more dramatic growth of around 319 per cent was noted in Central from October 2003 (trough) to August 2008 (peak), and Central rents then drifted downward by 11 per cent to November 2008 in the face of shrinking demand from financial institutions.

¹ All areas are internal floor area (IFA) unless otherwise stated.

Price Trends

The latest property market downturn has hit the sales market far more severely than the leasing market as speculators, who entered the market during last year's rally, sold down their holdings throughout 2008 in the face of dampened market sentiment as well as tightened credit availability. After rising by more than 287 per cent from the trough in May 2003 to the peak in May 2008, Grade 'A' office prices declined by a dramatic 22 per cent to November 2008².

Supply³

The Asian Financial Crisis from 1997 combined with 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 2007 stood at 1.7 million sq.ft. per annum, significantly below the 1991 to 2000 average of 3.1 million sq.ft. per annum.

New supply of offices hit a recent high in 2007 with 3.0 million sq.ft. of new premises completed, a majority (2.3 million sq.ft. or 76% of total supply) located in decentralized areas such as Island East, Kowloon East and Kowloon West. Near term office supply is expected to remain high with 3.6 million sq.ft. of Grade 'A' office space expected to have been completed in 2008, a majority of which is again located in decentralized areas (3.5 million sq.ft. or 96% of total supply). Grade 'A' office supply thereafter is expected to revert to low levels, particularly for Grade 'A' offices in the core areas of Central, Wanchai / Causeway Bay, Tsimshatsui and the emerging Kowloon Station area. Forecast supply of Grade 'A' offices between 2008 and 2012 is expected to reach approximately 8.3 million sq.ft., or 1.7 million sq.ft. per annum, below the 10-year average supply of 2.3 million sq.ft. recorded between 1998 and 2007 and below 10 year average take-up of 2.1 million sq.ft. per annum over the same period.

It is noteworthy that much of the new supply (around 76% from 2008 to 2012 or 6.3 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 further 1.1 million sq.ft. of office space by 2010 (Phase 1 with 720,000 sq.ft. was completed in 2007).

Notably, three Grade 'A' office buildings are scheduled for completion in Central in 2011, namely the 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 headcounts or save costs. Nevertheless, the new supply coming on stream in Kowloon East and Kowloon West may provide more choices for tenants currently located in areas outside Central, such as Tsimshatsui and Island East, given they can justify the relocation costs (including fit-out CAPEX) by the rental reduction they can enjoy after relocation.

² Source: Rating and Valuation Department

³ All areas in sq.ft. net unless otherwise stated

Vacancy

The recent rounds of layoffs and belt tightening measures have not resulted in a large amount of surrender cases in the office market just yet. Nevertheless, office vacancy in Central gradually picked up from 1.2 per cent in January 2008 to 2.9 per cent in December 2008, showing some Central tenants were under pressure to downsize or relocate outside the district in the face of stiffening economic conditions. Vacancy in the Central Grade 'AAA' office sector also rebounded from an historical low of 0.2 per cent to 1.7 per cent over the same period⁴. Vacancy outside the core areas, especially Kowloon East and Kowloon West, increased dramatically to 27 and 12 per cent in December 2008 respectively reflecting the volume of new completions in the two areas.

Outlook

Demand for office space is expected to continue to shrink in 2009 as it is anticipated that real GDP growth will slump into negative territory this year to -1.3 per cent⁵. The current oversupply situation, in particular in Kowloon East and Kowloon West, should see greater rental pressure on landlords in those areas, and we may see very more incentives for tenants in Tsimshatsui, Wanchai / Causeway Bay and Island East to relocate to these areas due to the deep discount in rents available to them. Nevertheless there is some question over whether the relocation cost, which includes the upfront CAPEX for fit-out, would be approved by the headquarter offices of these eager-to-move tenants in today's ultra cost-conscious environment.

The continuing integration of the Hong Kong and Mainland economies has seen many industries in Hong Kong benefiting from the tremendous growth of China's economy over the past few years. Because the recent economic recession began in China's final demand markets in the West, the export-driven Mainland economy has now begun to slow down quite dramatically in 2009 (real GDP to grow by 7.4 per cent⁶), and this will inevitably have a further negative impact on the local economy, in particular the finance and trading sectors. Therefore, we believe that the depth and duration of this slowdown in the Mainland and the timing of recovery in the US will dictate the timing of the recovery of the local office sector.

⁴ Source: Savills estimates

⁵ Source: Consensus Economics, January 2009

⁶ Source: Consensus Economics, January 2009



Eagle Asset Management (CP) Limited
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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)

16 February 2009

Dear Sirs

RE: (1) HIGH BLOCK (EXCEPT HB CAF (AS DEFINED IN THE SUB-DEED OF MUTUAL COVENANT AFFECTING THE HIGH BLOCK DATED 8 JULY 2005) AND SUITES NOS. 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 AND 15 ON LEVELS 35, 36, 37 AND 55), 8 ARGYLE STREET, (2) RETAIL BLOCK, LANGHAM PLACE, 8 ARGYLE STREET, (3) CARPARK, 8 ARGYLE STREET AND 555 AND 557 SHANGHAI STREET, AND (4) RESERVED AREA, 8 ARGYLE STREET AND 555 AND 557 SHANGHAI STREET, MONG KOK, KOWLOON (“THE 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 2008 (referred to as the “Valuation Date”).

Basis of Valuation

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

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

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

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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\$25 to HK\$34 per sq.ft. of Total Floor Area for office space and HK\$30 to HK\$390 per sq.ft. of Gross Rentable Area for retail 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 rate for both the retail and office accommodation is 5%.

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 both en-bloc and strata-title Grade A office premises in business districts of the Kowloon Peninsula around the Valuation Date are collected and analyzed each in terms of a price per square footage which are in the range of HK\$5,500 to HK\$8,000 per sq.ft. of Total Floor Area. Moreover, comparable sales transactions of retail properties in Mong Kok District are collected and analyzed each in terms of a price per square footage which are in the range of HK\$9,500 to HK\$100,000 per sq. ft. of Gross Rentable Area. The collected comparables are then adjusted to take account of the discrepancies between the Property and comparables in terms of time, location, age, building quality and the like.

Title Investigations

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

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

Valuation Consideration

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

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

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

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing 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 24 years experience in the valuation of properties in Hong Kong.

Enc

Valuation Certificate

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
<p>(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos. 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street, (2) Retail Block, Langham Place, 8 Argyle Street, (3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon</p> <p>1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No. 11099.</p>	<p>Langham Place is a retail / office / hotel / carpark complex erected on two rectangular sites, separated by Shanghai Street, having a registered total site area of 11,976 sq. m. (128,910 sq. ft.). The development was completed in 2004.</p> <p>Currently standing on the eastern site is a 59-level tower (Comprising 46 levels of office, four levels of shop, five mechanical floors, two refuge floors and two roof floors) and a 15-storey retail building (including two basement levels) erected over three levels of basement carpark.</p> <p>Currently standing on the western site is a hotel built over two levels of basement carpark. In addition, government, institution and community facilities as well as public open space are provided on the site.</p> <p>Two covered footbridges and an underground vehicle tunnel across Shanghai Street are constructed to inter-connect the development between the two separate sites.</p> <p>The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos. 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq. m. (702,911 sq. ft.).</p>	<p>The office portion of the Property is let under various tenancies mostly for terms of three years with the last expiry date in September 2013 yielding a total monthly rental of approximately HK\$19.27 million exclusive of rates and management fees. A number of tenancies contain options to renew for further terms at the then prevailing market rents.</p> <p>The retail portion of the Property is let under various tenancies mostly for terms of three years with the last expiry date in July 2014 at a total monthly basic rent of approximately HK\$27.18 million exclusive of rates and management fees. Most of the tenancies are subject to turnover rent. The average monthly turnover rent receivable from November 2007 to October 2008 is about HK\$1,847,000. Three tenancies contain options to renew for further terms at the then prevailing market rents. Two kiosks and two shops together with a number of areas are let under various licences with the latest expiry in September 2011 yielding a total monthly licence fee of approximately HK\$135,000.</p>	<p>HK\$13,570,000,000</p>	<p>4.61%</p>

Valuation Certificate (Continued)

Description and tenure

Particulars of occupancy

The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq.m. (589,844 sq. ft.) and a Gross Rentable Area of approximately 29,581.29 sq. m. (318,413 sq. ft.).

The Property also comprises a carpark at the basement levels, 8 Argyle Street, and 555 and 557 Shanghai Street accommodating a total of 250 car parking spaces.

Kowloon Inland Lot No. 11099 is held from the Government under Conditions of Exchange No. UB12557 from 18 February 2000 to 30 June 2047 an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

The current occupancy rates of the office and retail portions are approximately 98.3% and 97.7% respectively.

The carpark is operated as a fee-paying public carpark let on a monthly and hourly basis. The average total monthly income from December 2007 to November 2008 is approximately HK\$1,409,000.

Certain rights in respect of the naming of the Property are licensed for a term of 3 years from 1 January 2008 yielding an annual licence fee of HK\$26,000,000.

Various lightboxes and loading areas are let under various licences yielding a total monthly licence fee of approximately HK\$92,000.

Notes

- (1) The registered owner of the Property is Benington Limited.
- (2) The Property also comprises the Reserved Area defined in the Deed of Mutual Covenant and Management Agreement dated 27 June 2005 as those parts of the Development not specifically included in the Government Accommodation or any Component, the Development CAF or HB/Retail CAF (all terms as defined in the said Deed of Mutual Covenant and Management Agreement) and reserved for the exclusive use and enjoyment of Benington Limited.
- (3) The Property, *inter alia*, is subject to the following encumbrances as registered in the Land Registry:-
 - (i) Legal Charge in favour of Hang Seng Bank Limited; and
 - (ii) Legal Charge in favour of Citibank, N.A.
- (4) For the office portion of the Property, the Gross Rentable Area is equal to the Total Floor Area.
- (5) The Property lies within an area zoned "Comprehensive Development Area" under the Land Development Corporation Argyle Street/ Shanghai Street Development Scheme Plan.
- (6) The breakdown of our valuation in respect of different uses is set out below:

Use	Market Value as at 31 December 2008
Retail	HK\$8,280,000,000
Office	HK\$4,930,000,000
Carpark	HK\$180,000,000
Miscellaneous	HK\$180,000,000
Total:	HK\$13,570,000,000

VALUATION REPORT

- (7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property as at 31 December 2008 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	691,097	98.3
Vacant	11,814	1.7
Total	702,911	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2005	17,398	2.5	438,430	2.3	1	1.5
2006	83,388	12.1	2,343,183	12.2	5	7.6
2007	273,744	39.6	8,129,777	42.2	21	31.8
2008	316,567	45.8	8,354,299	43.3	39	59.1
Total	691,097	100	19,265,689	100	66	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2009	35,340	5.1	1,070,272	5.6	6	9.1
2010	228,692	33.1	6,258,970	32.5	28	42.4
2011	258,589	37.4	6,709,203	34.8	25	37.9
2012	13,531	2.0	378,180	2.0	3	4.5
2013	154,945	22.4	4,849,064	25.1	4	6.1
Total	691,097	100	19,265,689	100	66	100

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	1,375	0.2	48,125	0.3	1	1.5
2	34,391	5.0	853,132	4.4	12	18.2
3	417,263	60.4	11,306,918	58.7	43	65.2
4	34,796	5.0	869,900	4.5	1	1.5
5	64,088	9.3	2,095,604	10.9	7	10.6
6	139,184	20.1	4,092,010	21.2	2	3.0
Total	691,097	100	19,265,689	100	66	100

VALUATION REPORT

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding the licensed premises) as at 31 December 2008 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	311,826	97.7
Vacant	7,249	2.3
Total	319,075	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	79,901	25.6	3,458,659	12.7	5	2.5
2005	0	0	0	0	0	0
2006	28,595	9.2	2,577,401	9.5	23	11.7
2007	140,506	45.1	13,571,519	49.9	85	42.9
2008	62,824	20.1	7,571,350	27.9	85	42.9
Total	311,826	100	27,178,929	100	198	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of Total
2009	45,609	14.6	3,860,651	14.2	41	20.7
2010	139,806	44.9	15,609,291	57.5	115	58.1
2011	39,067	12.6	4,382,274	16.1	29	14.7
2012	26,277	8.4	1,826,938	6.7	8	4.0
2013	16,327	5.2	875,775	3.2	4	2.0
2014	44,740	14.3	624,000	2.3	1	0.5
Total	311,826	100	27,178,929	100	198	100

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
1	820	0.3	169,688	0.6	4	2.0
2	34,384	11.0	3,897,428	14.3	60	30.3
3	147,754	47.4	16,682,556	61.4	115	58.1
4	17,509	5.6	845,058	3.1	9	4.6
5	17,482	5.6	1,437,845	5.3	2	1.0
6	49,137	15.8	3,522,354	13.0	7	3.5
10	44,740	14.3	624,000	2.3	1	0.5
Total	311,826	100	27,178,929	100	198	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 Stock¹

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 fold between 1980 and 2007.

At the end of 2007, Grade 'A' office space (65 million sq.ft.) accounted for approximately 60 per cent of all office stock, while the remaining 40 per cent was accounted for by Grade 'B' and 'C' space.

Yau Ma Tei / Mong Kok is a decentralized business district in fringe Kowloon, which is a popular office location for trading, consumer goods and insurance companies. Yau Ma Tei / Mong Kok represented approximately 8 per cent of total office stock of all grades (8 million sq.ft.) and 4 per cent of the total stock of Grade 'A' offices (3 million sq.ft.) in 2007. Yau Ma Tei / Mong Kok, together with the other decentralised office areas of Island East, Kowloon East and Kowloon West², represented around 31 per cent of total Grade 'A' office stock at the end of 2007.

Rental Trends

The financial turmoil which began in early 2008 and intensified in September after Lehman Brothers filing for bankruptcy disrupted the stock market and had an impact on property market sentiment, both of which had proved fairly robust since the containment of SARS in 2003. The office sector was the first to experience the effects with rounds of layoffs in the financial industry causing an acute decline in demand for office space, in particular in core areas, though no large-scale surrender or hand back of space have been noted from investment banks and asset management houses thus far.

According to the provisional figures of the Rating and Valuation Department, the average Grade 'A' office rent rose by around 147 per cent from the end of September 2003 to the end of August 2008 before declining by 2 per cent up to November 2008.

¹ All areas are internal floor area (IFA) unless otherwise stated.

² Island East includes North Point / Quarry Bay; Kowloon East Includes Kwun Tong and Kowloon City; and Kowloon West includes Yau Ma Tei / Mong Kok, Sham Shui Po, Kwai Tsing and Tsuen Wan

Price Trends

The latest property market downturn has hit the sales market far more severely than the leasing market as speculators, who entered the market during last year's rally, sold down their holdings throughout 2008 in the face of dampened market sentiment as well as tightened credit availability. After rising by more than 287 per cent from the trough in May 2003 to the peak in May 2008, Grade 'A' office prices declined by a dramatic 22 per cent to November 2008³.

Supply⁴

The Asian Financial Crisis from 1997 combined with 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 2007 stood at 1.7 million sq.ft. per annum, significantly below the 1991 to 2000 average of 3.1 million sq.ft. per annum.

New supply of offices hit a recent high in 2007 with 3.0 million sq.ft. of new premises completed, a majority (2.3 million sq.ft. or 76% of total supply) located in decentralized areas such as Island East, Kowloon East and Kowloon West. Near term office supply is expected to remain high with 3.6 million sq.ft. of Grade 'A' office space expected to have been completed in 2008, a majority of which is again located in decentralized areas (3.5 million sq.ft. or 96% of total supply). Grade 'A' office supply thereafter is expected to revert to low levels, particularly for Grade 'A' offices in the core areas of Central, Wanchai / Causeway Bay, Tsimshatsui and the emerging Kowloon Station area. Forecast supply of Grade 'A' offices between 2008 and 2012 is expected to reach approximately 8.3 million sq.ft., or 1.7 million sq.ft. per annum, below the 10-year average supply of 2.3 million sq.ft. recorded between 1998 and 2007 and below 10 year average take-up of 2.1 million sq.ft. per annum over the same period.

It is noteworthy that much of the new supply (around 76% from 2008 to 2012 or 6.3 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 further 1.1 million sq.ft. of office space by 2010 (Phase 1 with 720,000 sq.ft. was completed in 2007).

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 headcounts or save costs. Nevertheless, the new supply coming on stream in Kowloon East and Kowloon West may provide more choices for tenants currently located in areas outside Central, such as Tsimshatsui and Island East, given they can justify the relocation costs (including fit-out CAPEX) by the rental reduction they can enjoy after relocation.

³ Source: Rating and Valuation Department

⁴ All areas in sq.ft. net unless otherwise stated

Vacancy

The recent rounds of layoffs and belt tightening measures have not resulted in a large amount of surrender cases in the office market just yet. Office vacancy in Kowloon West rose to 11.9 per cent in December 2008 as new supply gradually entered the market, while vacancy in Mong Kok also increased from a recent low of 3.4 per cent in July 2008 to 4.6 per cent in December 2008⁵.

Outlook

Demand for office space is expected to continue to shrink in 2009 as it is anticipated that real GDP growth will slump into negative territory this year to -1.3 per cent⁶. The current oversupply situation, in particular in Kowloon East and Kowloon West, should see greater rental pressure on landlords in those areas, and we may see very more incentives for tenants in Tsimshatsui, Wanchai / Causeway Bay and Island East to relocate to these areas due to the deep discount in rents available to them. Nevertheless there is some question over whether the relocation cost, which includes the upfront CAPEX for fit-out, would be approved by the headquarter offices of these eager-to-move tenants in today's ultra cost-conscious environment.

The continuing integration of the Hong Kong and Mainland economies has seen many industries in Hong Kong benefiting from the tremendous growth of China's economy over the past few years. Because the recent economic recession began in China's final demand markets in the West, the export-driven Mainland economy has now begun to slow down quite dramatically in 2009 (real GDP to grow by 7.4 per cent⁷), and this will inevitably have a further negative impact on the local economy, in particular the finance and trading sectors. Therefore, we believe that the depth and duration of this slowdown in the Mainland and the timing of recovery in the US will dictate the timing of the recovery of the local office sector.

⁵ Source: Savills estimates

⁶ Source: Consensus Economics, January 2009

⁷ Source: Consensus Economics, January 2009

Retail Market Overview

Retail Stock

The total stock of private commercial premises⁸ in Hong Kong increased by 132 per cent between 1980 and 2007 to total 112.8 million sq.ft. at the end of 2007⁹. More than 41 per cent of private commercial stock is located in Kowloon while Hong Kong Island and the New Territories accounted for around 30 and 29 per cent of the remaining commercial stock, respectively, in 2007.

As the total stock of private commercial premises has increased over time, per capita stock¹⁰ has also risen along with increasing income levels. Per capita stock stood at 16.2 sq.ft. per person at the end of 2007, representing an increase of 6.4 sq.ft. per person since 1981.

Being a popular tourist spot as well as a retail and entertainment centre for locals, Yau Tsim Mong plays host to a number of high profile shopping malls, including Harbour City, New World Centre, Grand Century Place and Langham Place. Total private commercial stock in the area amounted to 21.5 million sq.ft. at the end of 2007, representing 46 per cent of total stock in Kowloon.

Mong Kok is a local retail hub popular amongst local youngsters. Besides large scale shopping malls, the area is also characterised by clusters of street shops with a balanced mix of trades catering for both locals and tourists.

Rental Trend

The global economic downturn has hit local consumer confidence with escalating unemployment rates and declining incomes. Coupled with the slowdown in total visitor arrivals growth to 5 per cent y-o-y over the first eleven months of 2008 (in fact, US / Canada and Europe experienced a decline in visitors of 5 and 3 per cent respectively over the same period), retail sales, in particular in tourist areas, were adversely affected. Having risen by over 40 per cent from June 2003 to July 2008, private retail rents declined by 2 per cent to November 2008 reflecting the subdued retail sentiment, according to provisional figures from the Rating and Valuation Department.

Price Trend

The influx of Mainland visitors changed the landscape of the retail market from 2003 onwards and retail prices increased much faster than retail rents to reflect the optimistic outlook of investors given the implications of this new demand driver for the business growth of retailers. Nevertheless, the dampening of investment sentiment from the middle of 2008, together with the shrinking credit availability has put pressure on some less affluent landlords to sell off their holdings at discounted prices. Private retail prices, after rising by more than 150 per cent from a trough in 2003 to June 2008, declined by 16 per cent to November 2008¹¹.

⁸ Defined by the Rating and Valuation Department, private commercial premises include retail premises and other premises designed or adopted for commercial use, with the exception of purpose-built offices. Carparking space is excluded.

⁹ According to the Rating and Valuation Department, from 2006 onwards private commercial stock figures include properties owned by The Link REIT, which has a total IFA of 10.3 million sq.ft. in 2006

¹⁰ Total year end private commercial stock divided by total year end population.

¹¹ Source: Rating and Valuation Department

Supply¹²

Private commercial supply averaged approximately 2.2 million sq.ft. between 1980 and 2007. However, supply levels have been significantly lower in the 2000s compared with the previous two decades. Shopping centre supply reached a recent peak in 2006 when some 2.0 million sq.ft. was completed, including some larger scale malls such as Elements and MegaBox.

A majority of new retail supply currently scheduled for completion is being built in fringe areas as Hong Kong's traditional core retail districts¹³ are aging and increasingly constrained in their ability to expand and adapt to changing consumer needs. Many new shopping centres forecast for completion by 2012 will be located either on newly reclaimed land or in Hong Kong's New Towns¹⁴.

Supply of major shopping centres in Hong Kong is expected to fall to an average of 1.28 million sq.ft. ¹⁵ per annum between 2008 and 2012, with the highest proportion of new centres located in Kowloon (47 per cent). Notably, no new shopping centre supply will be coming on stream in Mong Kok over the next five years.

Take-up and Vacancy

Take-up averaged approximately 1.6 million sq.ft. per annum between 1980 and 2007 while the vacancy rate averaged approximately 8.1 per cent over the same period. Average take-up between 1980 and 1989, between 1990 and 1999, and between 2000 and 2007 stood at approximately 2.3 million sq.ft., 1.3 million sq.ft. and 1.0 million sq.ft., respectively. Besides the maturing nature of the market, the falling take-up is also attributable to falling supply levels. Take-up rebounded from 0.6 million sq.ft. in 2003 to 2.3 million sq.ft. in 2007.

Outlook

The global economic downturn has begun to affect the real economy of Hong Kong, with both local and tourist demand for retail starting to slow. With the local economy expected to continue to experience difficulties, the unemployment rate is forecast to rise to 5.2 per cent in 2009¹⁶. The lack of job security among the general public will further limit retail spending to necessities rather than comparison and luxury goods.

Tourist shopping spending, which accounts for nearly 20 per cent of local retail sales, is also set to lose momentum with tourist growth slowing dramatically during the course of 2008. Long haul visitors from the U.S. and Europe in particular are likely to post a decline in 2009 with their problems back home, while the number of Mainland visitors may hold firm with the further expansion of IVS towards the end of 2008. Nevertheless, their spending power will be constrained this year if the Mainland economy continues to worsen.

In line with the office sector, we believe that the depth and duration of this slowdown in the Mainland and the timing of recovery in the US will dictate the timing of the revival of both local consumer confidence as well as tourist arrivals, and thus the recovery of the local retail sector.

¹² All areas in sq.ft. net unless otherwise stated

¹³ Central, Causeway Bay, Tsimshatsui and Mongkok.

¹⁴ The New Town program was initiated by the Hong Kong Government in 1973 and currently there are nine developed New Towns in the New Territories

¹⁵ Gross floor area (GFA), is the area contained within the external walls of the building measured at each floor level, including any floor below the level of the ground, excludes any floor space that the Building Authority is satisfied is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service

¹⁶ Source: Consensus Economics, January 2009

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, the second supplemental deed dated 4 February 2008 and the third supplemental deed dated 9 March 2009 for the financial year ended 31 December 2008.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 12 March 2009

Champion REIT is committed to attaining global best practices and standards for all activities and transactions conducted in relation to the Trust and any matters arising out of its listing or trading on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The current corporate governance framework adopted by the REIT Manager emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures.

The REIT Manager has in place a comprehensive set of compliance procedures and guidelines which set out the key processes, systems and measures used to implement this corporate governance framework.

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 and Governance 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 (Cap. 571) (“SFO”) and regulated by SFC pursuant to the provisions of SFO and the Code on Real Estate Investment Trusts (“REIT Code”) and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Mr. Lee Ching Ming, Adrian, the Executive Director and Chief Executive Officer, 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) and 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. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, whereas the REIT Manager is responsible to manage Champion REIT and to ensure that the financial and economic aspects of Champion REIT’s assets are professionally managed in the sole interests of Unitholders.

The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Deed of Trust constituting Champion REIT (“Trust Deed”) entered into between the REIT Manager and the Trustee on 26 April 2006 as amended by a First Supplemental Deed dated 5 December 2006 and a Second Supplemental Deed dated 4 February 2008 respectively. Subsequent to the year end date, an Extraordinary General Meeting of the Unitholders of Champion REIT was held on 9 March 2009 whereby the special resolutions to make certain amendments to the Trust Deed were approved. Details of the amendments are set out in the circular to Unitholders of Champion REIT dated 13 February 2009.

Functions of the Board of Directors of the REIT Manager and Delegation

The Board of the REIT Manager 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 will also review major financial decisions and the performance of the REIT Manager.

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. The Board presently comprises eight members, three of whom are Independent Non-executive Directors. On 16 April 2008, Mr. Lee Ching Ming, Adrian was appointed as the Executive Director, Chief Executive Officer and Chairman of the Disclosures Committee of the REIT Manager in place of Mr. Stewardson, Jeremy Bellinger. The biographical details of the members of the Board are set out in "Board of Directors" on pages 14 to 16 of this Annual Report.

The composition of the Board is determined using the following principles and will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience:

- 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 funds management and the property industry; and
- at least one-third, and a minimum of three members, of the Board should be Independent Non-executive Directors.

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. 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. Lee Ching Ming, Adrian who is an Executive Director.

Full Board meetings will be held at least quarterly, and more often if necessary. The Company Secretary of the REIT Manager will give written notice to each of the Directors at least ten clear days in advance of the meeting (except if there are exceptional circumstances or the majority of the Directors agree to shorter notice).

Independence of Independent Non-executive Directors

Pursuant to the REIT Manager's corporate governance policy, Independent Non-executive Directors must be individuals who fulfill the independence criteria set out in the Compliance Manual that are no less exacting than those set out in the Listing Rules for assessing the independence of a non-executive director.

Each of the Independent Non-executive Directors of the REIT Manager has made an annual confirmation of independence in writing.

Delegation

Pursuant to the Property Management Agreement, Eagle Property Management (CP) Limited (the "Property Manager") will provide property management services, lease management services and marketing services for the properties of Champion REIT located in Hong Kong on an exclusive basis subject to the overall management and supervision of the REIT Manager. The Property Manager has a team of well-experienced operational staff exclusively dedicated to providing property management services to Champion REIT. The biographical details of the team members of the Property Manager are set out on pages 30 and 38 of this Annual Report.

The Board of the REIT Manager may establish board committees with clear terms of reference to review specific issues or items. The two standing Board Committees established are the Audit Committee and the Disclosures Committee.

Audit Committee

The REIT Manager established an Audit Committee on 28 March 2006. 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 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.

The Audit Committee comprises two Independent Non-executive Directors (namely, Mr. David G. Eldon and Mr. Shek Lai Him, Abraham) and a Non-executive Directors (namely, Dr. Lo Ka Shui). Mr. David G. Eldon is the Chairman of the Audit Committee. The members of the Audit Committee are 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 Independent Non-executive Directors.

Disclosures Committee

The REIT Manager established a Disclosures Committee on 28 March 2006. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements.

The Disclosures Committee is appointed by the Board of Directors from among the Directors. Mr. Lee Ching Ming, Adrian, the Chief Executive Officer and Executive Director was appointed as the chairman of the Disclosures Committee in place of Mr. Stewardson, Jeremy Bellinger with effect from 16 April 2008. The Disclosures Committee consists of Mr. Shek Lai Him, Abraham, an Independent Non-executive Director, Dr. Lo Ka Shui, the Chairman and a Non-executive Director and Mr. Lee Ching Ming, Adrian, the Chief Executive Officer and Executive Director.

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 also 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.

CORPORATE GOVERNANCE REPORT

The attendance of individual Directors and committee members in 2008 is set out in the table below:

Member	No. of meetings attended/ No. of meetings held		
	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting
No. of Meetings held in the year	4	3	3
Non-executive Directors			
Lo Ka Shui	4/4	3/3	3/3
Cheng Wai Chee, Christopher	4/4	-	-
Ho Shut Kan	2/4	-	-
Lo Kai Shui	2/4	-	-
Executive Directors			
Lee Ching Ming, Adrian ^(Note)	2/2	1/1	1/1
Jeremy Bellinger Stewardson ^(Note)	2/2	2/2	2/2
Independent Non-executive Directors			
Cha Mou Sing, Payson	2/4	-	-
David Gordon Eldon	3/4	3/3	-
Shek Lai Him, Abraham	4/4	3/3	3/3
Attendance Rate	78%	100%	100%

Note: On 16 April 2008, Mr. Lee Ching Ming, Adrian was appointed as the Executive Director, Chief Executive Officer and Chairman of the Disclosures Committee of the REIT Manager in place of Mr. Stewardson, Jeremy Bellinger.

Managers and Employees

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself. The properties of the Trust are managed by various operating entities, including the REIT Manager, the Property Manager, and the DMC/Estate Managers etc. The following table summarizes the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 31 December 2008:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	—	—	13
Leasing	3	11	—
Marketing and promotion	—	9	—
Property/estate management	40	133	—
Contractors/technical staff	139	282	—
Total	182	435	13

Management of Business Risk

The Board of the REIT Manager 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 recommendations from the auditors of 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.

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team comprises the Chief Executive Officer, the Chief Investment Officer, the Chief Operating Officer, the Finance and Office Administration Manager, the Compliance Manager and the Internal Auditor. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly on a weekly basis. The biographical details of the members of management team are provided under "Senior Management" on pages 17 and 18.

Conflicts of Interest and Business Competition with Great Eagle Holdings Limited

The REIT Manager, the Property Manager, Longworth Management Limited ("Longworth") and The Great Eagle Properties Management Company, Limited ("GEPM") take up the role of manager and property manager of Champion REIT, DMC manager and DMC sub-manager of Citibank Plaza, DMC manager and CAF manager of Langham Place, Sub-DMC manager of Langham Place Office Tower and Estate manager of the Langham Place Mall (as the case may be). Each of the above companies is a wholly-owned subsidiary of Great Eagle Holdings Limited ("Great Eagle"). Moreover, two members of the Board are directors of Great Eagle and/or its affiliated companies. 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 and Langham Place or other properties.

Great Eagle, 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.

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 is not related to Great Eagle and the Independent Non-executive Directors 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 Longworth and GEPM in the estate management of Citibank Plaza and Langham Place, the REIT Manager considers that it is in the interest of Champion REIT for the existing estate management arrangements to continue. Currently, Longworth and GEPM together have employed more than 170 full time staff exclusively dedicated to carrying out property management services in respect of Citibank Plaza and Langham Place with 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 and Langham Place 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.

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.

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.

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report set out on page 102 of this Annual Report. During the year, the fee payable to the auditor of Champion REIT amounted to HK\$2,880,000 for audit and audit related services and HK\$1,124,000 for non-audit services.

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. The Code on Corporate Governance Practices of the Listing Rules was amended to require all listed issuers to arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings effective from 1 January 2009. The REIT Manager has adopted this requirement as its governance practice.

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.

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. However, as set out in the Offering Circular, the REIT Manager's distribution policy was to distribute to Unitholders an amount equal to 100% of Champion REIT's Annual Distributable Income (as defined in the Trust Deed) for each financial year. This distribution policy was adopted at the time of the initial public offering of Champion REIT (the "IPO").

The methodology for determining the Annual Distributable Income under the Trust Deed does not take into account the possibility of certain types of non-recurring expenditures which may be required or desirable from time to time, such as capital expenditures and asset enhancements (“Non-recurring Items”). As such, such distribution policy does not allow Champion REIT any fiscal flexibility to deal with such Non-recurring Items. At the time of the IPO, the REIT Manager did not expect the short term requirements of Champion REIT for Non-recurring Items to be significant. Since then, the requirements of Champion REIT for Non-recurring Items have increased in scope and complexity, particularly with the acquisition of the retail, carpark and certain office portions of Langham Place in 2008.

Because of this increased complexity, Champion REIT requires greater financial flexibility to respond to volatile and challenging market conditions. The REIT Manager also requires the added flexibility to properly manage the current and anticipated financial requirements of Champion REIT for the benefit of Unitholders. In order to allow the REIT Manager greater flexibility in managing Champion REIT’s financial affairs, the REIT Manager has sought Unitholders’ approval to modify the current distribution policy on 9 March 2009 such that it will distribute to Unitholders an amount not less than 90% of Champion REIT’s Annual Distributable Income for each financial year.

Such a modification will not affect Champion REIT’s ability to distribute to Unitholders amounts in excess of 90% of the Annual Distributable Income for any financial year, if so determined appropriate by the REIT Manager after taking into account the fiscal requirements of Champion REIT. The modified distribution policy is also consistent with the distribution requirements under the REIT Code and the Trust Deed.

By allowing the REIT Manager the flexibility to distribute 90% to 100% of Champion REIT’s Annual Distributable Income as it thinks fit, the REIT Manager will be able to utilize up to 10% of Champion REIT’s Annual Distributable Income when required for the purpose of paying up Non-recurring Items or for any other purpose as the REIT Manager may deem fit, thus greatly reducing the need to obtain any additional financing and incurring further finance costs.

The modification to the distribution policy shall apply to the financial year commencing from 1 January 2009 and to all subsequent financial years until further notice, and shall not affect the distribution of Champion REIT for the year ended 31 December 2008.

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, among other things:

- (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 of 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 duly convened meeting and the votes shall be taken by way of poll.

Issue 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 this Clause 7.1.6, to the extent that such new Units are covered by the aggregate number of new Units contemplated under Clause 7.1.6(i)(b) at the Relevant Date 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 this Clause 7.1.6(i)(a) (whether in that or any prior Financial Year) at the Relevant Date applicable to that agreement;
 - (4) any new Units issued or issuable (whether directly or pursuant to any Convertible Instruments) in that Financial Year pursuant to any pro rata offer made in that Financial Year in accordance with Clause 7.1.5;

CORPORATE GOVERNANCE REPORT

- (5) 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 hereunder and under applicable laws and regulations (including the Code) has been obtained; and/or
- (6) any new Units issued or issuable in that Financial Year pursuant to any reinvestment of distributions made in that Financial Year in accordance with Clause 20.9;

PLUS

- (b) (1) the maximum number of new Units issuable at the Initial Issue Price (as defined in Clause 7.2.2) 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; or

- (d) the connected person is acting as underwriter or sub-underwriter of an issue or offer of Units or other securities by or on behalf of the Trust or any Special Purpose Vehicle, provided that:
 - (i) the issue or offer is made under and in accordance with Clause 7.1.5; and
 - (ii) the issue or offer is in compliance with any applicable provisions of the Listing Rules, which provisions shall have effect, making all necessary amendments; or
- (e) the excess application and the taking up of pro rata entitlements by the connected person in respect of a pro rata issue of Units and/or Convertible Instruments under Clause 7.1.5 or an open offer by the Trust; or
- (f) Units are issued to a connected person pursuant to a reinvestment of distribution in accordance with Clause 20.9.

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.

Internal Controls

The REIT Manager has a general power of management over the assets of Champion REIT. The Board is entrusted with the overall responsibility for maintaining sound and effective internal control systems to safeguard the assets of the Trust and ensure the smooth running of the business operations. The systems are designed to provide reasonable assurance against material misstatement or loss, and to mitigate risk of failure to meet the business objectives. The REIT Manager has an internal audit function in place to provide an independent assessment of the REIT Manager's internal control systems. During the year, the Internal Auditor has conducted a risk-based review of the policies and procedures described in the Compliance Manual to ensure they have been operated as expected.

The Board is responsible for reviewing the effectiveness of the system of internal control on an annual basis through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. Through the Audit Committee and the Internal Auditor, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2008. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

The 2-years audit plans are approved by the Audit Committee. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committee and discussed at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Auditor to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2008 and the assessment of the Audit Committee thereon, the Board considers that the internal control system is effective and adequate. No significant irregularity or deficiency in internal controls that may affect Unitholders' investment and the Trust's assets were identified.

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.

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.

It has come to the attention of the REIT Manager that the Listing Rules were amended and most of which came into effect on 1 January 2009. While we await formal published guidance from the Securities and Futures Commission ("SFC") on the precise scope of the applicability of the Listing Rules amendments to REITs, the REIT Manager has reviewed and sought to comply with such amendments to the extent practicable.

With regard to the blackout period requirement, at present, 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. On 24 February 2009, the Stock Exchange announced the modified blackout rules such that a director must not deal in any securities of the listed issuer (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter the period from the end of the relevant half-year period up to the publication date of the results.

The REIT Manager will adopt the new blackout period requirements as its governance practice and, the above code of good practice has been extended to senior executives and officers of the REIT Manager.

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

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 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. Details of the above are set out in the section headed "Interests in Units of Champion REIT" under "Connected Party Transactions" on pages 99 to 100.

Repurchase, Sale or Redemption of Units

The REIT Manager is permitted to repurchase or redeem any units so long as any repurchase or redemption of units by the REIT Manager is effected in accordance with the relevant codes and guidelines issued by the Securities and Futures Commission of Hong Kong from time to time.

During the year, there was no purchase, sale or redemption of the units by Champion REIT or its wholly owned and controlled entities.

Compliance with Compliance Manual

The REIT Manager has complied with the provisions of the Compliance Manual during the year.

Public Float

As far as the REIT Manager is aware, as at 31 December 2008 the Trust has maintained a sufficient public float with more than 25% of the issued and outstanding Units of Champion REIT being held in public hands.

Review of Annual Report

The Annual Report of Champion REIT for the financial year ended 31 December 2008 has been reviewed by the Disclosures Committee and the Audit Committee and approved by the Board of the REIT Manager.

Public Relations-Related Expenses Payable out of Champion REIT's Deposited Property

A sum in an aggregate of HK\$2,808,000 being roadshow and public relations-related expenses ("PR Expenses") expressly authorized by the Trust Deed to be payable out the Deposited Property (as defined in the Trust Deed) was made for the period from 4 February 2008 to 31 December 2008.

The Audit Committee of the REIT Manager confirms that the PR Expenses are incurred in accordance with the internal control procedures of the REIT Manager; and the nature of these PR Expenses was solely for the purposes as set out in the clauses 2.4.6 and 2.4.13 of the Trust Deed.

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions

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

Connected Party Transactions with the Great Eagle Connected Persons Group and/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 for the year ended 31 December 2008 ("Year").

The Great Eagle Connected Persons Group means any person who is a connected person of Champion REIT by virtue of its relationship with Top Domain International Limited and Keen Flow Investments Limited (each being a significant holder of Champion REIT) and Eagle Asset Management (CP) Limited (the REIT Manager), all of which are wholly owned subsidiaries of Great Eagle Holdings Limited ("Great Eagle").

The SFK Connected Persons Group means any person who is a connected person of Champion REIT by virtue of its relationship with SFK Construction Holdings Limited ("SFK"), which is an associate of Mr. Lo Kai Shui, a director of the REIT Manager, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK.

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	269,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	803,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	5,562,000 ³
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	2,328,000 ⁵
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	1,379,000 ⁷
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁸	6,615,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁹ and car parking fee	2,941,000 ¹⁰
Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction ¹¹	1,733,000 ¹²
China Mobile Peoples Telephone Company Limited	Associate of a Director ¹³	Licence fee ¹⁴	210,000
Total			21,840,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	82,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	808,000 ¹⁵
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income ⁴	313,000 ¹⁶
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Building management fee income ⁶	156,000 ¹⁷
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁸	3,444,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁹	311,000 ¹⁸
Toptech Co. Limited	Subsidiary of Great Eagle	Building management fee income ¹¹	290,000 ¹⁹
Total			5,404,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	95,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	644,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,258,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee expense	31,886,000 ²⁰
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	13,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Repair and maintenance services	13,000
Total			33,909,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions – Insurance Agency Arrangement (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
The Great Eagle Insurance Agency Limited	Subsidiary of Great Eagle	Insurance agency services	690,000
Total			690,000

Notes

- 1 A damage deposit of HK\$10,000 provided by Eagle Property Management (CP) Limited was held by the Trust as at the Year end date.
- 2 Security deposits by way of bank guarantees in an aggregate amount of approximately HK\$2,864,000 provided by Langham Hotels International Limited were held by the Trust as at the Year end date.
- 3 These rental incomes are derived from Pre-Existing Agreements with Langham Hotels International Limited. "Pre-Existing Agreements" means the agreements entered into with Great Eagle Connected Persons Group and/or SFK Connected Persons Group prior to completion and continue to subsist after completion of the acquisition of the retail, carpark and certain office portions of Langham Place.
- 4 A security deposit by way of a bank guarantee of approximately HK\$1,160,000 and a damage deposit of HK\$15,000 provided by Langham Place Hotel (HK) Limited were held by the Trust as at the Year end date.
- 5 These rental incomes are derived from a Pre-Existing Agreement with Langham Place Hotel (HK) Limited.
- 6 A security deposit by way of a bank guarantee of approximately HK\$511,000 and a damage deposit of HK\$10,000 provided by Main St. Cafe Hong Kong Company Limited were held by the Trust as at the Year end date.
- 7 Out of this HK\$1,379,000, an amount of approximately HK\$1,027,000 was rental income derived from a Pre-Existing Agreement with Main St. Cafe Hong Kong Company Limited.
- 8 A security deposit by way of a bank guarantee of approximately HK\$2,593,000 provided by Strong Dynamic Limited was held by the Trust as at the Year end date.
- 9 Security deposits in an aggregate amount of approximately HK\$879,000 provided by The Great Eagle Properties Management Company, Limited were held by the Trust as at the Year end date.
- 10 Out of this HK\$2,941,000, an amount of approximately HK\$951,000 was rental income derived from a Pre-Existing Agreement with The Great Eagle Properties Management Company, Limited.
- 11 A security deposit of approximately HK\$869,000 provided by Toptech Co. Limited was held by the Trust as at the Year end date.
- 12 These rental incomes are derived from a Pre-Existing Agreement with Toptech Co. Limited.
- 13 China Mobile Peoples Telephone Company Limited is an associate of Dr. Lo Ka Shui (directors of Great Eagle and the REIT Manager) by virtue of his being an independent non-executive director of China Mobile Limited, the holding company of China Mobile Peoples Telephone Company Limited.
- 14 A security deposit of approximately HK\$37,000 provided by China Mobile Peoples Telephone Company Limited was held by the Trust as at the Year end date.
- 15 These building management fee incomes were derived from Pre-Existing Agreements with Langham Hotels International Limited.
- 16 These building management fee incomes were derived from a Pre-Existing Agreement with Langham Place Hotel (HK) Limited.
- 17 Out of this HK\$156,000, an amount of approximately HK\$102,000 was building management fee derived from a Pre-Existing Agreement with Main St. Cafe Hong Kong Company Limited.
- 18 Out of this HK\$311,000, an amount of approximately HK\$168,000 was building management fee derived from a Pre-Existing Agreement with The Great Eagle Properties Management Company, Limited.
- 19 These building management fee incomes were derived from a Pre-Existing Agreement with Toptech Co. Limited.
- 20 Out of this HK\$31,886,000, approximately HK\$30,975,000 represented the amount of reimbursement paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$911,000 represented the amount of reimbursement paid under the CAF Management Agreement (in relation to the common areas/facilities of Langham Place). Both Langham Place Mall Estate Management Agreement and CAF Management Agreement are Pre-Existing Agreements with The Great Eagle Properties Management Company, Limited. Pursuant to the Langham Place Mall Estate Management Agreement, the Mall Estate Manager was entitled to retain at all times an amount equal to one-sixth of the annual expenditure – equivalent to approximately HK\$9,156,000 under the approved budget for the year 31 December 2008; so as to enable the Mall Estate Manager to make payment of mall management expenses.

CONNECTED PARTY TRANSACTIONS

Pre-Existing Agreements

Following the acquisition of the retail, carpark and certain office portions of Langham Place, certain agreements (previously entered into with the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group) in relation to the Langham Place continue to subsist.

Pre-Existing Agreements subject to Waiver

The following Pre-Existing Agreements are dealt with as if they were connected party transactions which are subject to annual limits of the waiver from strict compliance with the requirements under Chapter 8 of the REIT Code:-

Name/ Description of Agreement	Name of Party	Relationship with Champion REIT	Nature of Transaction	Incomes/ Expenses for the Year HK\$
Tenancy Agreements	Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	6,370,000
Tenancy Agreement	Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	2,641,000
Tenancy Agreement	Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	1,129,000
Tenancy Agreement	The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	1,119,000
Tenancy Agreement	Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	2,023,000
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management	30,975,000
CAF Management Agreement (in relation to the common areas/ facilities of Langham Place)	The Great Eagle Properties Management Company, Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of expense estate management	911,000

CONNECTED PARTY TRANSACTIONS

Other Pre-Existing Agreements and other transactions subject to Reporting Requirements under paragraph 8.14 of the REIT Code

Name/ Description of Agreement	Name of Party	Relationship with Champion REIT	Nature of Transaction	Incomes/ Expenses for the Year HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	1,002,000
Office Sub-DMC (sub-deed of mutual covenant) for the Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of the Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense ²	17,692,000
SFK Contracts (various contracts in relation to the construction of Langham Place)	Members of the SFK Connected Persons Group	Subsidiary of SFK	Contract sums paid	—
Deed of Delegation	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Delegation of management functions of common areas/facilities	N/A
Naming Right Licence Agreement in relation to the use of Langham Place	The Great Eagle Company, Limited	Subsidiary of Great Eagle	Licence fee income	15,022,000
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services	63,057,000
DMC (deed of mutual covenant) for Citibank Plaza	The Great Eagle Properties Management Company, Limited (as DMC Sub-manager appointed by the DMC Manager of Citibank Plaza)	Subsidiary of Great Eagle	Building management fee expense ³	92,045,000

CONNECTED PARTY TRANSACTIONS

Notes

- 1 A management fee deposit and sinking fund of approximately HK\$716,000 was also paid to The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the Year end date.
- 2 A management fee deposit and sinking fund of approximately HK\$12,759,000 was also paid to Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Year end date.
- 3 A management fee deposit of approximately HK\$15,566,000 was also paid to The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Citibank Plaza as at the Year end date.

Other Connected Party Transactions with the Great Eagle Connected Persons Group

Acquisition fee and REIT Manager's fee

During the Year, an acquisition fee of HK\$125,000,000 and the REIT Manager's fee of approximately HK\$160,103,000 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.

Assets Acquisition

On 14 February 2008, Champion REIT acting through its trustee entered into conditional sale and purchase agreements with certain wholly owned subsidiaries of Great Eagle (all being connected persons of Champion REIT within the meaning of the REIT Code) to acquire the retail, carpark and certain office portions of Langham Place ("Acquisition"). Champion REIT had agreed to acquire all the issued shares and/or shareholder's loan of the respective property companies holding the property interests, subject to, among other things, the satisfaction or waiver of conditions precedent as set out therein and the passing of the ordinary resolution at the extraordinary general meeting.

The Acquisition constituted a very substantial acquisition and a connected party transaction for Champion REIT. Approval by independent Unitholders was obtained at an extraordinary general meeting of Champion REIT on 6 March 2008.

The Acquisition was completed on 3 June 2008. The total consideration payable for the Acquisition was approximately HK\$8,298 million which was satisfied by the issue of new Units (as Consideration Units to a wholly owned subsidiary of Great Eagle) and cash. The repayment of all amounts under the loan facilities of approximately HK\$4,301 million and the ancillary costs of approximately HK\$410 million and the cash portion of the total consideration were financed by the issue of new Units (as Placement Units) and the convertible bonds due 2013 and the proceeds from the bank facilities drawdown upon completion (as the case may be). An aggregate principal amount of HK\$2,340 million of the convertible bonds due 2013 (representing 50% of the aggregate principal amount of HK\$4,680 million) were subscribed by a wholly owned subsidiary of Great Eagle.

Connected Party Transactions with the Trustee and/or 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 Period.

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	Incomes/ Expenses for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	15,741,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest/expense	257,017,000

Connected Party Transactions - Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	43,004,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income ²	3,631,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction ²	149,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	30,000
Total			46,814,000

Notes

- Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited. It acts as the facility agent for each of the term loan and revolving credit facilities in the aggregate amount of (i) HK\$7,200 million (of which HK\$7,000 million term loan was outstanding as at 31 December 2008); and (ii) HK\$2,954 million (of which HK\$2,454 million term loan was drawn down on 3 June 2008 and outstanding as at 31 December 2008). Syndicates of lenders of both facilities include Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited.
- Security and damage deposits in an aggregate amount of approximately HK\$10,396,000 provided by the HSBC Group were held by the Trust as at the Year end date.

CONNECTED PARTY TRANSACTIONS

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 expiring in the first quarter of 2010 A supplemental agreement was entered into whereby both parties have agreed to extend the term to the first quarter of 2013 at open market rent	33,072,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for Suites 2001-5 on 20th Floor of ICBC Tower	Term of 5 years and expiring in the first quarter of 2010 A supplemental agreement was entered into whereby (i) both parties have agreed to extend the term to the first quarter of 2013 at open market rent; and (ii) the tenant is entitled to terminate the lease by 6 months' notice on or after 1/3/2010	5,719,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for the whole of Level 18 and Suites Nos. 07 & 08 on Level 11 of Langham Place Office Tower	Term of 3 years and expiry in the first quarter of 2011 Tenant has an option to renew for 3 years at open market rent	4,213,000

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.

Connected Party Transactions - Others

During the Year, the trustee fee of approximately HK\$6,985,000 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 with Other Connected Persons

During the Year, approximately HK\$1,290,000 in aggregate was rendered for services to the Trust by Savills Valuation and Professional Services Limited ("Savills") and its connected persons. Among these, approximately HK\$788,000 was the valuation fee incurred for services rendered by Savills in its capacity as the principal valuer of Champion REIT.

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 rental income, building management fee income, estate management transactions, insurance agency arrangement and ordinary banking and financial services (in particular, the connected party transactions relating to rental income, building management fee income, building management fee expense, repair and maintenance services fee and insurance fee of the Group, and also ordinary banking and financial services for the year ended 31 December 2008) 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.

CONNECTED PARTY TRANSACTIONS

Disclosure of Interests

Unitholdings of Connected Persons

As at 31 December 2008, so far as the REIT Manager is aware, 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
Top Domain International Limited	1,349,495,877 ¹	30.43
Keen Flow Investments Limited	781,221,000 ¹	17.62
Bright Form Investments Limited	533,029,612 ^{1,5}	12.02
Eagle Asset Management (CP) Limited	36,453,258 ¹	0.82
Fine Noble Limited	12,987,000 ¹	0.29
Great Eagle Nichemusic Limited	1,000,000 ¹	0.02
Lee Ching Ming, Adrian	64,000 ²	0.001
Fortune Mega Investments Limited	163,936,151 ³	3.70
Wing Tai Corporation Limited	65,474,385 ⁴	1.48

Notes

1 These companies are ultimately wholly-owned by Great Eagle Holdings Limited ("Great Eagle"), Jolly Trend Limited, Alfida Limited, The Great Eagle Company, Limited, Eagle Asset Management Holdings Limited, Sharp Bloom Limited and Great Eagle Net Limited are their intermediate holding companies. All of them are connected persons of Champion REIT under the REIT Code.

HSBC International Trustee Limited ("HITL") is the trustee of a discretionary trust, of which Dr. Lo Ka Shui and Mr. Lo Kai Shui (directors of the REIT Manager), and Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie (directors of Great Eagle) are beneficiaries. HITL held 32.89% interest in Great Eagle.

Eagle Asset Management (CP) Limited is a connected person by virtue of its being the management company (as defined under the REIT Code) of Champion REIT.

The Units held by Fine Noble Limited are underlying Units, being derivative interests derived from physically settled listed derivatives.

Name	Units held as at 30 June 2008	Change in Unitholdings
Top Domain International Limited	1,349,495,877	0
Keen Flow Investments Limited	781,221,000	0
Bright Form Investments Limited	520,000,000	+13,029,612
Eagle Asset Management (CP) Limited	20,438,569	+16,014,689
Fine Noble Limited	N/A	+12,987,000
Great Eagle Nichemusic Limited	1,000,000	0

2 Mr. Lee Ching Ming, Adrian is a connected person by virtue of his being a director of the REIT Manager.

3 These Units are directly held by Fortune Mega Investments Limited. Julian Holdings Limited, Kerry Properties Limited, Kerry Properties (Hong Kong) Limited and Spring Capital Holdings Limited were deemed to be interested in the same parcel of Units. Each of them was a connected person by virtue of being an associate of Mr. Ho Shut Kan (a director of the REIT Manager).

CONNECTED PARTY TRANSACTIONS

- 4 These Units were held by Mr. Cheng Wai Chee, Christopher (a director of the REIT Manager) via his associates, being Renowned Development Limited, Wing Tai (Cheng) Holdings Limited and Wing Tai Corporation Limited. The Unitholdings were increased by 5,724,396 Units as compared with the position as at 30 June 2008 (as specified in the respective disclosure of interests form). Other than these Units, Mr. Cheng Wai Chee, Christopher was interested in 11,389,521 Units (representing 0.26% of Unitholdings) - which were underlying Units, being derivative interests derived from the convertible bonds due 2013 in the amount of HK\$50,000,000 held by a trust of which he was a beneficiary.
- 5 The 533,029,612 Units held by Bright Form Investments Limited are underlying Units, being derivative interests derived from the convertible bonds due 2013 in the amount of HK\$2,340,000,000 directly held by Bright Form Investments Limited. The Unitholdings were increased by 13,029,612 Units as compared with the position as at 30 June 2008 due to an adjustment on conversion price of the convertible bonds due 2013 from HK\$4.50 to HK\$4.39 per Unit with effect from 3 October 2008.

Save as disclosed in the notes above, there was no change in the number of Units held by the connected persons during the period from 30 June 2008 to 31 December 2008.

Interests in Units of Champion REIT

By virtue of the trust deed constituting Champion REIT, certain divisions of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") are deemed to apply (subject to certain exceptions) to the directors and chief executive of the REIT Manager, the REIT Manager and each Unitholder.

As at 31 December 2008, the following persons had interests or short positions in the Units which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to the applicable Part XV of the SFO:

Name	Number of Units Held	Percentage of Unitholdings
Interests of Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	2,714,186,747 ¹	61.20
Cheng Wai Chee, Christopher	76,863,906 ²	1.73
Lee Ching Ming, Adrian	64,000	0.001
Interests of the REIT Manager		
Eagle Asset Management (CP) Limited	36,453,258 ¹	0.82
Interests of Unitholders with 5% or more interests		
Great Eagle Holdings Limited	2,714,186,747 ¹	61.20
HSBC International Trustee Limited	2,714,449,247 ¹	61.21
Capital Research and Management Company	293,761,000 ³	6.64
Government of Singapore Investment Corporation Pte Ltd.	252,878,000 ⁴	5.72

Notes

1 Great Eagle was deemed to be interested in a total of 2,714,186,747 Units held by its controlled corporations comprising:

- 1,349,495,877 Units held by Top Domain International Limited directly;
- 781,221,000 Units held by Keen Flow Investments Limited directly;
- 533,029,612 Units being underlying Units of the convertible bonds due 2013 held by Bright Form Investments Limited;
- 36,453,258 Units held by Eagle Asset Management (CP) Limited directly;
- 12,987,000 Units being underlying Units of physically settled listed derivatives held by Fine Noble Limited; and
- 1,000,000 Units held by Great Eagle Nichemusic Limited directly.

HSBC International Trustee Limited ("HITL") was deemed to be interested in these Units in its capacity as a trustee. HITL is the trustee of a discretionary trust, of which Dr. Lo Ka Shui is one of the beneficiaries. Dr. Lo Ka Shui (a director of the REIT Manager) has notifiable interests in the same parcel of Units held by Great Eagle by virtue of his interests as one of the beneficiaries of a discretionary trust which is a controlling shareholder of Great Eagle. HITL held interests in Great Eagle for such discretionary trust. Together with the interests of other trusts of which HITL was the trustee, HITL held approximately 45.02% interest in Great Eagle.

CONNECTED PARTY TRANSACTIONS

- 2 Among these Units in which Mr. Cheng Wai Chee, Christopher were deemed to be interested:-
 - (a) 65,474,385 Units were directly held by Wing Tai Corporation Limited being his indirect controlled corporations; and
 - (b) 11,389,521 Units were underlying Units of the convertible bonds due 2013 held by a trust of which he was a beneficiary.
- 3 Capital Research and Management Company was interested in these Units in its capacity as investment manager.
- 4 Government of Singapore Investment Corporation Pte Ltd. was interested in these Units in the capacity as investment manager.
- 5 Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.
- 6 The percentage set out in the table refers to the percentage as specified in the respective disclosure of interests forms.

Interests in Debentures of Associated Corporation

Name	Amount of debentures
Interests of Director in Debentures ¹ of an Associated Corporation	
Lo Ka Shui	HK\$2,340,000,000 ²
Cheng Wai Chee, Christopher	HK\$50,000,000 ³

Notes

- 1 The debentures means the aggregate principal amount of HK\$4,680,000,000 of convertible bonds due 2013 issued by Fair Vantage Limited (a wholly owned and controlled entity by Champion REIT).
- 2 These interests in debentures were held by Great Eagle as mentioned in note 1 under the section headed "Interests in Units of Champion REIT".
- 3 These interests in debentures were held by a trust of which Mr. Cheng Wai Chee, Christopher was a beneficiary as mentioned in note 2 under the section headed "Interests in Units of Champion REIT".

Save as disclosed above, as at 31 December 2008, 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 SFO; and
- (ii) none of the Directors or chief executives of the REIT Manager had any interests (or deemed to be interested) and short positions in the Units of Champion REIT or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the "Code Governing Dealings in Units by Director, or the Manager" as adopted by the REIT Manager.

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Deloitte.

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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 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 103 to 141, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in net assets attributable to unitholders, the distribution statement and the 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 from time to time (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.

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 2008 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

12 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Rental income	7	1,468,527	750,050
Building management fee income		136,350	86,732
Rental related income	8	8,959	2,109
Total revenue		1,613,836	838,891
Property operating expenses	9	(279,646)	(158,445)
Net property income		1,334,190	680,446
Interest income		16,965	24,759
Manager's fee	10	(160,103)	(81,654)
Overprovision of listing expenses in prior year		—	1,975
Trust and other expenses		(16,602)	(10,672)
(Decrease) increase in fair value of investment properties		(3,877,336)	3,720,940
Change in fair value of derivative component of convertible bonds	24	221,011	(23,485)
Change in fair value of rental stabilisation arrangement		2,021	(1,644)
Fair value loss upon amendment of interest rate swaps	17	(23,962)	—
Finance costs	11	(643,974)	(379,690)
(Loss) profit before tax and distribution to unitholders	12	(3,147,790)	3,930,975
Income taxes	13	271,290	(693,337)
(Loss) profit for the year, before distribution to unitholders		(2,876,500)	3,237,638
Distribution to unitholders, accrued		(1,327,320)	(669,822)
(Loss) profit for the year, after distribution to unitholders		(4,203,820)	2,567,816
Distribution for the year			
– From the results of the year		1,327,320	669,822
– From reserve		80,900	—
		1,408,220	669,822
Basic (loss) earnings per unit	14	HK\$(0.77)	HK\$1.16
Diluted (loss) earnings per unit	14	HK\$(0.77)	HK\$1.11

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investment properties	16	40,049,000	28,343,000
Derivative financial instruments	17	—	646,828
Rental stabilisation arrangement	18	53,843	61,956
Loan receivables	19	50,969	—
Total non-current assets		40,153,812	29,051,784
Current assets			
Trade and other receivables	20	115,883	43,455
Bank balances and cash	21	1,115,408	604,943
Total current assets		1,231,291	648,398
Total assets		41,385,103	29,700,182
Current liabilities			
Trade and other payables	22	1,066,079	960,701
Deposits received		347,400	150,042
Tax liabilities		43,616	10,977
Distribution payable		620,940	400,381
Total current liabilities		2,078,035	1,522,101
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loans	23	9,423,079	6,976,296
Convertible bonds	24	5,409,019	808,819
Derivative financial instruments	17	107,139	—
Deferred tax liabilities	25	539,377	848,685
Total non-current liabilities, excluding net assets attributable to unitholders		15,478,614	8,633,800
Total liabilities, excluding net assets attributable to unitholders		17,556,649	10,155,901
Net assets attributable to unitholders		23,828,454	19,544,281
Number of units in issue ('000)	26	4,434,598	2,801,436
Net asset value per unit	29	HK\$5.37	HK\$6.98

The consolidated financial statements on pages 103 to 141 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion REIT on 12 March 2009 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

LEE Ching Ming, Adrian
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2008

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
	(note 26)				
Net assets attributable to unitholders as at 1 January 2007	13,793,859	(225,818)	2,526,143	468,660	16,562,844
Net adjustment to hedging reserve	—	(85,291)	—	—	(85,291)
Profit for the year, before distribution to unitholders	—	—	—	3,237,638	3,237,638
Distribution	—	—	—	(669,822)	(669,822)
Total recognised income and expense for the year	—	(85,291)	—	2,567,816	2,482,525
Excess of fair value of investment properties acquired over acquisition cost (note 16)	—	—	279,781	—	279,781
Issue of units	219,131	—	—	—	219,131
Net income recognised directly in net assets attributable to unitholders	219,131	—	279,781	—	498,912
Net assets attributable to unitholders as at 31 December 2007	14,012,990	(311,109)	2,805,924	3,036,476	19,544,281
Net adjustment to hedging reserve	—	(205,502)	—	—	(205,502)
Loss for the year, before distribution to unitholders	—	—	—	(2,876,500)	(2,876,500)
Distribution	—	—	(80,900)	(1,327,320)	(1,408,220)
Total recognised expense for the year	—	(205,502)	(80,900)	(4,203,820)	(4,490,222)
Excess of fair value of property interests acquired over acquisition cost (note 27)	—	—	2,946,734	—	2,946,734
Amount received pursuant to Distribution Waiver Amendment Deed (note)	—	—	80,900	—	80,900
Issue of units	5,888,641	—	—	—	5,888,641
Unit issue costs	(141,880)	—	—	—	(141,880)
Net income recognised directly in net assets attributable to unitholders	5,746,761	—	3,027,634	—	8,774,395
Net assets attributable to unitholders as at 31 December 2008	19,759,751	(516,611)	5,752,658	(1,167,344)	23,828,454

Note:

Pursuant to the Deed of Amendment of Distribution Entitlement Waiver Deed dated 14 February 2008 (the "Distribution Waiver Amendment Deed"), the undertakings made by Top Domain International Limited ("Top Domain"), a wholly owned subsidiary of Great Eagle Holdings Limited, under the Distribution Entitlement Waiver Deed dated 26 April 2006 (the "Distribution Waiver Deed") in respect of the distribution periods in 2008 ceased to be effective in consideration of an amount of HK\$80,900,000 being received from Top Domain on 23 June 2008. The rights and obligations of Fortune Mega Investments Limited, a wholly owned subsidiary of Kerry Properties Limited ("Fortune Mega") and Wing Tai Corporation Limited ("Wing Tai") will not be affected by the Distribution Waiver Amendment Deed.

DISTRIBUTION STATEMENT

For the year ended 31 December 2008

	NOTE	2008 HK\$'000	2007 HK\$'000
100% of total distributable income	15	1,037,283	650,448
Add: Additional amounts at the discretion of the Manager			
– Amount received from rental stabilisation arrangement		—	19,374
– Amount entitled from amendment of interest rate swaps		290,037	—
– Amount received pursuant to Distribution Waiver Amendment Deed		80,900	—
Total additional amounts at the discretion of the Manager		370,937	19,374
Total distributions for the year^(a)		1,408,220	669,822
Interim distribution, paid		787,280	269,441
Final distribution, to be paid to the unitholders		620,940	400,381
Total distributions for the year^(a)		1,408,220	669,822
Distributions per unit to unitholders:			
– Interim distribution per unit, paid ^(b)		HK\$0.1788	HK\$0.1366
– Final distribution per unit, to be paid to the unitholders ^(c)		HK\$0.1410	HK\$0.2031
Distributions per unit for the year		HK\$0.3198	HK\$0.3397

Notes:

- (a) It is the current policy of the Manager to distribute 100% of total distributable income as distributions for the year ended 31 December 2008. In addition, the Manager decided to distribute a total additional amount of HK\$370,937,000 for the year ended 31 December 2008 (2007: HK\$19,374,000). The interim distribution was paid to unitholders on 3 October 2008. The final distribution will be paid to unitholders on or about 27 May 2009.
- (b) The interim distribution per unit of HK\$0.1788 for the six months ended 30 June 2008 is calculated based on the interim distribution paid of HK\$787,280,000 for the period and 4,402,798,833 units (after adjusted for the effect of Distribution Waiver Amendment Deed^(d)) as of 8 September 2008, which is the record date for the period. The interim distribution per unit of HK\$0.1366 for the six months ended 30 June 2007 was calculated based on the interim distribution paid of HK\$269,441,000 for the period and 1,971,766,547 units (as adjusted for the effect of Distribution Waiver Deed^(d)) as of 7 September 2007, which was the record date for the period.
- (c) The final distribution per unit of HK\$0.1410 for the six months ended 31 December 2008 is calculated based on the final distribution to be paid of HK\$620,940,000 for the period and 4,402,798,833 units (after adjusted for the effect of Distribution Waiver Amendment Deed^(d)). Such final distribution will be subject to further adjustments upon the issuance of units on or before 27 April 2009, which is the record date set for such period. The final distribution per unit of HK\$0.2031 for the six months ended 31 December 2007 was calculated based on the final distribution paid of HK\$400,381,000 for the period and 1,971,766,547 units (as adjusted for the effect of Distribution Waiver Deed^(d)) as of 6 March 2008, which was the record date for the period.
Further announcement will be made to inform unitholders of the final distribution per unit for the six months ended 31 December 2008.
- (d) Pursuant to the Distribution Waiver Amendment Deed and the Distribution Waiver Deed, Top Domain, Fortune Mega and Wing Tai have agreed to waive their entitlements of distributions in respect of their nil unit (2007: 742,222,732 units), 22,959,230 units (2007: 63,137,883 units) and 8,839,756 units (2007: 24,309,329 units), respectively, for the distribution periods in 2008. Without such waiver on distribution entitlement for these units, the distributions per unit for the six months ended 30 June 2008 and 31 December 2008 would be HK\$0.1593 (six months ended 30.6.2007: HK\$0.0962) and HK\$0.1400 (six months ended 31.12.2007: HK\$0.1429), respectively.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES			
(Loss) profit before tax and distribution to unitholders		(3,147,790)	3,930,975
Adjustments for:			
Decrease (increase) in fair value of investment properties		3,877,336	(3,720,940)
Change in fair value of derivative component of convertible bonds		(221,011)	23,485
Change in fair value of rental stabilisation arrangement		(2,021)	1,644
Fair value loss upon amendment of interest rate swaps		23,962	—
Overprovision of listing expenses in prior year		—	(1,975)
Manager's fee paid and payable in units		160,103	81,654
Interest income		(16,965)	(24,759)
Finance costs		643,974	379,690
Operating cash flow before movements in working capital		1,317,588	669,774
Increase in trade and other receivables		(18,402)	(13,788)
Increase (decrease) in trade and other payables		2,818	(6,400)
Increase in deposits received		57,654	57,921
CASH GENERATED FROM OPERATIONS		1,359,658	707,507
Interest paid		(231,835)	(40,725)
Hong Kong Profits Tax paid		(5,379)	(144,453)
NET CASH FROM OPERATING ACTIVITIES		1,122,444	522,329
INVESTING ACTIVITIES			
Interest received		15,900	25,249
Cash received from rental stabilisation arrangement		10,134	32,040
Additions to investment properties		(193,336)	(690,171)
Acquisition of Property Interests	27	(2,847,918)	—
NET CASH USED IN INVESTING ACTIVITIES		(3,015,220)	(632,882)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
FINANCING ACTIVITIES			
Distribution paid		(1,187,661)	(526,364)
Proceeds received from amendment of interest rate swaps		234,730	—
Proceeds from issue of new units		2,963,999	—
Secured term loan raised		2,454,000	—
Transaction costs of secured term loan		(16,247)	—
Proceeds from issuance of convertible bonds		2,340,000	—
Transaction costs of convertible bonds		(23,400)	—
Repayment of a bank loan including accrued interest	27	(4,301,200)	—
Proceeds received pursuant to the Distribution Waiver Amendment Deed		80,900	—
Unit issue costs paid		(141,880)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		2,403,241	(526,364)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		510,465	(636,917)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		604,943	1,241,860
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		1,115,408	604,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 are listed on The Stock Exchange of Hong Kong Limited (the "HKSE"). Champion REIT is governed by the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed"), entered into between 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 in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. 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 are presented in Hong Kong dollars, which is the same as the functional currency of Champion REIT.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRS(s)”) (continued)

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) - Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) - Int 18	Transfer of Assets from Customers ⁶

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

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

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for annual periods beginning on or after 1 July 2009

The adoption of HKAS 32 and 1 (Amendments) will affect the presentation and accounting treatment of the units issued by Champion REIT in the consolidated financial statements. The Manager is in the process of assessing the impact of these amendments on the results and financial position of the Group.

The Manager anticipates that the application of the other new and revised standards, amendments 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 on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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.

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 an entity 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 intra-group transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held to earn rental and/or for capital 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.

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.

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 classified into loans and receivables and financial asset at fair value through profit or loss ("FVTPL").

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 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.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading and hence FVTPL if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL, which comprises the rental stabilisation arrangement, are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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, loan receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been impacted.

For loans and receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities

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

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 issued by Champion REIT 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 current policy to distribute to unitholders 100% of the distributable income.

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.

Other financial liabilities

Other 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.

Unit issue costs

The transaction costs relating to initial public offering, listing of units of Champion REIT and acquisition of properties are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transaction that otherwise would have been avoided. Other transaction costs are recognised as an expense.

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. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own units is a conversion option derivative. 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 option 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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. 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 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 net assets attributable to unitholders (i.e. hedging reserve). The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts deferred in net assets attributable to unitholders 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 net assets attributable to unitholders 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 net assets attributable to unitholders is recognised immediately in profit or loss. The hedging reserve is presented within net assets attributable to unitholders.

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 net assets attributable to unitholders 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Revenue recognition

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

Rental income from operating lease is recognised in the consolidated 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 and included in finance costs in the consolidated income statement in the period 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.

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 are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 and liabilities within the next financial year.

As described in note 16, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuer has 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 notes 17 and 24, the fair values of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. For derivative conversion option, assumptions are made based on observable market data. Interest rate swap are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. Financial Instruments

(a) Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Loan receivable	50,969	—
Trade and other receivables	19,480	3,986
Bank balances and cash	1,115,408	604,943
	1,185,857	608,929
<i>Financial assets at FVTPL</i>		
Rental stabilisation arrangement, classified as held for trading	53,843	61,956
<i>Derivative instruments in designated hedge accounting relationships</i>		
Interest rate swaps	—	646,828
Financial liabilities		
<i>Financial liabilities at FVTPL</i>		
Derivative component of convertible bonds	62,021	61,200
<i>Derivative instruments in designated hedge accounting relationships</i>		
Interest rate swaps	107,139	—
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	198,564	93,901
Distribution payable	620,940	400,381
Secured term loans	9,423,079	6,976,296
Liability component of convertible bonds	5,346,998	747,619
	15,589,581	8,218,197

5. Financial Instruments (continued)

(b) Financial risks management objectives and policies

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

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to interest bearing assets and liabilities. The Group's cash flow interest rate risk arises mainly from its variable-rate secured term loans (see note 23 for details) and pay-fixed/received-floating interest rate swaps. The Group entered into interest rate swaps on certain of 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 its time deposits. Such exposure is considered as insignificant due to short-maturity of these time deposits.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of HIBOR arising from the Group's term loan.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments at the balance sheet date. For variable rate term loans, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's:

- i. loss before tax and distribution to unitholders for the year ended 31 December 2008 would increase/decrease by HK\$12,270,000 (2007: Nil). This is mainly attributable to the Group's exposure to interest rates on its secured term loan which is not hedged.
- ii. hedging reserve would be credited by HK\$76,693,000 / debited by HK\$78,520,000 (2007: credited by HK\$100,793,000 / debited by HK\$101,759,000) mainly as a result of the changes in the fair value of interest rate swaps.

(ii) Credit risk

As at 31 December 2008, 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 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. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are mainly deposited with two banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. Financial Instruments (continued)

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

(iii) Liquidity and capital 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 issued by the Securities and Futures Commission concerning limits on total borrowings and monitors the level of borrowings to be within the permitted limit.

The Group has cash and cash equivalents of HK\$1,115,408,000 as at 31 December 2008 (2007: 604,943,000). In addition to the cash resources, the Group has total available borrowing facilities amounted to HK\$10,154,000,000 (2007: HK\$7,200,000,000), of which HK\$9,454,000,000 (2007: HK\$7,000,000,000) was drawn as at 31 December 2008. The undrawn committed facility in the form of revolving bank loans totalled HK\$700,000,000 as at 31 December 2008 (2007: HK\$200,000,000). The Group has sufficient financial resources to satisfy its commitments and working capital requirements.

The Group also considers the cost of capital and the risk associated with the capital. The Group has to maintain a level of borrowings that shall not exceed the 45% of the total gross asset value as required by the Code.

As at 31 December 2008, the gearing ratio is 36.0% (2007: 26.1%). The ratio is calculated as total borrowings (principal amounts of secured term loans and convertible bonds) divided by total gross asset value.

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 interest rates applied to secured bank loans are the interest rates at the balance sheet date. 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	4-5 year HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2008										
<i>Non-interest bearing</i>										
Trade and other payables	—	198,564	—	—	—	—	—	—	198,564	198,564
Distribution payables	—	620,940	—	—	—	—	—	—	620,940	620,940
		819,504	—	—	—	—	—	—	819,504	819,504
<i>Variable interest rate instruments</i>										
Secured bank loans	2.54	43,293	75,453	118,445	237,191	7,132,161	63,541	2,480,828	10,150,912	9,423,079
<i>Fixed interest rate instruments</i>										
Convertible bonds	5.96	—	30,625	31,475	62,100	896,855	46,800	5,820,152	6,888,007	5,346,998
Total		862,797	106,078	149,920	299,291	8,029,016	110,341	8,300,980	17,858,423	15,589,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. Financial Instruments (continued)

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

(iii) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

	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 December 2007										
<i>Non-interest bearing</i>										
Trade and other payables	—	93,901	—	—	—	—	—	—	93,901	93,901
Distribution payables	—	400,381	—	—	—	—	—	—	400,381	400,381
		494,282	—	—	—	—	—	—	494,282	494,282
<i>Variable interest rate instruments</i>										
Secured bank loans	4.11	70,938	70,938	145,817	287,694	287,694	7,113,685	—	7,976,766	6,976,296
<i>Fixed interest rate instruments</i>										
Convertible bonds	5.55	—	7,545	7,755	15,300	15,300	850,055	—	895,955	747,619
Total		565,220	78,483	153,572	302,994	302,994	7,963,740	—	9,367,003	8,218,197

The following table details the liquidity analysis for the Group's interest rate swaps as at 31 December 2008. The table has been drawn up based on the undiscounted net cash outflows on the interest rate swaps that settle on a net basis. The amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Total HK\$'000
Net settled:						
As at 31 December 2008						
Interest rate swaps	(14,556)	(29,112)	(44,882)	(58,450)	(14,799)	(161,799)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 unit 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 24, respectively.

Sensitivity analysis

If the inputs to the valuation model had been 5% higher/lower while all other variables were held constant, the (loss) profit before tax and distribution to unitholders would be affected by:

	Increase (decrease) in loss before tax 2008 HK\$'000	Decrease (increase) in profit before tax 2007 HK\$'000
Convertible bonds		
Volatility, higher by 5%	40,699	23,736
Volatility, lower by 5%	(30,357)	(22,865)
Rental stabilisation arrangement		
Change in market rent, higher by 5%	(7,443)	(8,541)
Change in market rent, lower by 5%	2,255	9,382

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

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated 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 segments is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. Rental Income

	2008 HK\$'000	2007 HK\$'000
Rental income	1,445,653	737,996
Car park income	22,874	12,054
	1,468,527	750,050

8. Rental Related Income

	2008 HK\$'000	2007 HK\$'000
Interest income from tenants	300	46
Surplus on forbearance fee	3,061	1,808
Sundry income	5,598	255
	8,959	2,109

9. Property Operating Expenses

	2008 HK\$'000	2007 HK\$'000
Building management fees	142,604	88,656
Car park operating expenses	4,237	1,852
Government rent and rates	40,363	21,354
Legal cost and stamp duty	3,315	2,697
Promotion expenses	11,313	—
Property and lease management service fee	43,604	22,361
Property miscellaneous expenses	3,171	1,737
Rental commission	26,907	17,360
Repairs and maintenance	4,132	2,428
	279,646	158,445

10. Manager's Fee

Pursuant to the Trust Deed, the Manager is entitled to receive 12% of the net property income of Champion REIT as remuneration, provided that the net property income in each semi-annual period commencing from 1 January 2007 equals or exceeds HK\$200 million.

In relation to the properties acquired upon listing, the fee payable to the Manager shall be paid in the form of units until 31 December 2010. For properties acquired after listing, the Manager has elected to receive 100% of its fee in the form of units for the year ended 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

11. Finance Costs

	2008 HK\$'000	2007 HK\$'000
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	290,352	338,926
Interest expense on convertible bonds wholly repayable within five years	206,951	40,264
Release of cumulative loss on hedging instrument (note 17)	145,434	—
Other borrowing costs	1,237	500
	643,974	379,690

12. (Loss) Profit Before Tax and Distribution to Unitholders

	2008 HK\$'000	2007 HK\$'000
(Loss) profit before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	2,400	1,524
Trustee's remuneration	6,885	5,243
Principal valuer's fee	388	174
Other professional fees and charges	2,900	1,689
Roadshow and public relations expenses	2,808	—
Bank charges	59	18

13. Income Taxes

	2008 HK\$'000	2007 HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	36,435	540
– Underprovision in prior year	1,583	—
	38,018	540
Deferred tax (note 25)		
– Current year	(260,812)	692,797
– Attributable to a change in tax rate	(48,496)	—
	(309,308)	692,797
	(271,290)	693,337

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

13. Income Taxes (continued)

The income taxes for the year can be reconciled to the (loss) profit before tax and distribution to unitholders as follows:

	2008 HK\$'000	2007 HK\$'000
(Loss) profit before tax and distribution to unitholders	(3,147,790)	3,930,975
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	(519,385)	687,921
Tax effect of income not taxable for tax purpose	(43,057)	(4,333)
Tax effect of expenses not deductible for tax purpose	17,446	6,370
Underprovision in prior year	1,583	—
Tax effect of deductible temporary difference arising on decrease in fair value of investment properties not recognised	301,590	—
Decrease in opening deferred taxation liability resulting from a decrease in applicable tax rate	(48,496)	—
Tax effect of utilisation of tax loss previously not recognised	—	(95)
Tax effect of tax loss not recognised	19,029	3,474
Income taxes for the year	(271,290)	693,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

14. Basic and Diluted (Loss) Earnings Per Unit

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

	2008 HK\$'000	2007 HK\$'000
Earnings		
(Loss) profit for the year, before distribution to unitholders for the purpose of basic (loss) earnings per unit	(2,876,500)	3,237,638
Effect of dilutive potential units:		
Interest on convertible bonds	—	40,264
Change in fair value of derivative components of convertible bonds	—	23,485
(Loss) profit for the year, before distribution to unitholders for the purpose of diluted (loss) earnings per unit	(2,876,500)	3,301,387
	2008	2007
Number of units		
Weighted average number of units for the purpose of basic (loss) earnings per unit	3,746,109,818	2,795,848,909
Effect of dilutive potential units:		
Units to be issued in respect of manager's fee	—	4,959,608
Convertible bonds	—	168,131,868
Weighted average number of units for the purpose of diluted (loss) earnings per unit	3,746,109,818	2,968,940,385
Basic (loss) earnings per unit before distribution to unitholders	HK\$(0.77)	HK\$1.16
Diluted (loss) earnings per unit before distribution to unitholders	HK\$(0.77)	HK\$1.11

During the current year, the computation of diluted loss per unit does not assume the units to be issued in respect of Manager's fee and the conversion of outstanding convertible bonds since both the issue and the exercise would result in a decrease in loss per unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. Total Distributable Income

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

	2008 HK\$'000	2007 HK\$'000
(Loss) profit for the year, before distribution to unitholders	(2,876,500)	3,237,638
Adjustments:		
Manager's fee	160,103	81,654
Overprovision of listing expenses in prior year	—	(1,975)
(Decrease) Increase in fair value of investment properties	3,877,336	(3,720,940)
Change in fair value of derivative component of convertible bonds	(221,011)	23,485
Change in fair value of rental stabilisation arrangement	(2,021)	1,644
Fair value loss upon amendment of interest rate swaps	23,962	—
Non-cash gain	(1,223)	—
Non-cash finance costs	385,945	336,145
Deferred tax	(309,308)	692,797
Total distributable income	1,037,283	650,448

16. Investment Properties

	2008 HK\$'000	2007 HK\$'000
FAIR VALUE		
At the beginning of the year	28,343,000	23,500,000
Acquisition of property interests (note 27)	15,390,000	—
Additions during the year	193,336	1,122,060
(Decrease) increase in fair value during the year	(3,877,336)	3,720,940
	40,049,000	28,343,000

On 3 June 2008 (the "Completion Date"), the Group completed the acquisition of the retail, carpark and certain office portions of Langham Place from the vendors, each of which are indirectly wholly-owned subsidiaries of Great Eagle Holdings Limited ("Great Eagle"), a connected person within the meaning of the Code. Details of the acquisition are set out in note 27.

The fair value of the investment properties acquired as at Completion Date, based on independent valuation performed by Savills Valuation and Professional Services Limited ("Savills"), an independent qualified professional valuer not connected to the Group, was HK\$15,390,000,000. Transaction costs for the acquisition of the investment properties, including an amount of HK\$125,000,000 paid to the Manager as acquisition fee, amounted to HK\$190,759,000. The valuation was arrived by using the Income Capitalisation Approach based on 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 assessed by reference to the rentals achieved in all lettable units of the properties as well as other lettings of similar properties in the neighbourhood.

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For the year ended 31 December 2008

16. Investment Properties (continued)

In 2007, the Group completed an acquisition of the whole of the 34th, 36th and 37th floors of Citibank Tower and three carparking spaces on the second basement of Citibank Plaza from Kerry Properties Limited (“Kerry”), 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, was HK\$1,107,000,000. The consideration and fair value of the investment properties together with the rental stabilisation arrangement (as described in note 18 below) acquired amounted to HK\$922,859,000 and HK\$1,202,640,000, respectively, resulted in an excess of fair value of investment properties and rental stabilisation arrangement acquired over the cost of HK\$279,781,000. The difference has been included in the changes in net assets attributable to unitholders.

On 31 December 2008 and 2007, Savills undertook an independent valuation. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the balance sheet date. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at balance sheet date, which is in turn capitalised for the unexpired term of Government lease under which the property is held. 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 expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. The capitalisation rates for the retail and office accommodation range from 5% to 5.25% (2007: 4.75%) and 5% to 5.25% (2007: 4.5%), respectively.

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.

The Group’s investment properties have been mortgaged as security for credit facilities and convertible bonds as detailed in notes 23 and 24, respectively.

17. Derivative Financial Instruments

	Assets		Liabilities	
	2008	2007	2008	2007
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Cash flow hedge - interest rate swaps	—	646,828	(107,139)	—

The Group uses interest rate swaps (net quarterly settlement) 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. Any change in fair value of the effective portion of the cash flow hedges is recognised in the hedging reserve. During the year, a net adjustment of HK\$205,502,000 has been debited to the hedging reserve (2007: HK\$85,291,000).

On 19 March 2008, the terms of the interest rate swaps with a total fair value of HK\$314,000,000 (“Fair Value”) were amended by fixing the swap rate from a step up structure to a fixed rate of 2.865% per annum with effect from the full coupon period commencing 24 February 2008 until maturity on 24 May 2011. In consideration of the amendment, the counterparty agreed to pay to the Group a total amount of HK\$290,037,000 (“Cash Settlement Amount”), of which HK\$55,307,000 will be paid on 24 May 2011 and is presented as loan receivables as explained in note 19. As at the date of amendment, a fair value loss of HK\$23,962,000, representing the excess of Fair Value over Cash Settlement Amount, was recognised in the consolidated income statement.

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For the year ended 31 December 2008

17. Derivative Financial Instruments (continued)

Subsequent to the amendment of the terms of the interest rate swaps, the cumulative losses on the interest rate swaps from inception of the hedge until the amendment of the terms of the interest rate swaps is released to consolidated income statement over the periods during which the variability of interest payment in relation to the secured term loan affects the consolidated income statement. During the year, release of such cumulative losses from the hedging reserve amounted to HK\$145,434,000.

Major terms of the interest rate swaps are set out below:

As at 31 December 2008

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 a fixed rate of 2.865%

As at 31 December 2007

Notional amount	Maturity	Swaps
HK\$7,000,000,000	24 May 2011	From 3 months 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 the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

18. Rental Stabilisation Arrangement

Pursuant to the rental stabilisation arrangement (the "Arrangement") in relation to the acquisition of three floors and certain carparking spaces in Citibank Plaza, 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 six-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, the Group received an aggregate amount of HK\$10,134,000 (2007: HK\$32,040,000), which represents the shortfall of New Property Rental of HK\$9,458,000 (2007: HK\$28,622,000) and interest on the escrow account of HK\$676,000 (2007: HK\$3,418,000). In 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. The fair value gain during the year of HK\$2,021,000 (2007: fair value loss of HK\$1,644,000) was credited to consolidated income statement. At 31 December 2008 and 2007, the fair value is determined based on the Black-Scholes model using the assumptions of current market rents at respective balance sheet dates, expected volatility based on past five years historical rent index, volatility of grade A central office and the duration of the Arrangement.

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For the year ended 31 December 2008

19. Loan Receivables

	2008 HK\$'000	2007 HK\$'000
Loan receivables	50,969	—

The amount of HK\$50,969,000 represents the receivable due from the counterparty upon the amendment of interest rate swaps as mentioned in note 17 above. The amount is unsecured, receivable in full on 24 May 2011 and is carried at amortised cost using the effective interest rate of 3.42%.

20. Trade and Other Receivables

	2008 HK\$'000	2007 HK\$'000
Trade receivables	14,916	304
Deferred rent receivables	41,071	21,471
Deposits, prepayments and other receivables	59,896	21,680
	115,883	43,455

Rental receivables from tenants are payable on presentation of invoices. The collection is closely monitored to minimise any credit risk associated with these receivables.

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

	2008 HK\$'000	2007 HK\$'000
0 - 3 months	14,916	304

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$14,916,000 (2007: HK\$304,000) 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.

21. Bank Balances and Cash

	2008 HK\$'000	2007 HK\$'000
Cash on hand	14	16
Cash at bank	200,854	73,265
Time deposits	914,540	531,662
	1,115,408	604,943

Bank balances carry interest at market rate of 0.01% per annum. Time deposits with a maturity of less than three months carry interest at market rates which range from 0.05% to 0.95% per annum.

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For the year ended 31 December 2008

22. Trade and Other Payables

	2008 HK\$'000	2007 HK\$'000
Trade payables	54,206	9,148
Rental received in advance	7,709	13,288
Other payables	154,039	88,140
Accrued stamp duty	850,125	850,125
	1,066,079	960,701

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 (2007: 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 Interest in Citibank Plaza upon listing.

The aged analysis of trade payables is as follows:

	2008 HK\$'000	2007 HK\$'000
0 - 3 months	54,206	9,148

23. Secured Term Loans

	2008 HK\$'000	2007 HK\$'000
Secured term loans	9,454,000	7,000,000
Loan front-end fee	(30,921)	(23,704)
	9,423,079	6,976,296

The secured term loans comprise the following:

- (i) In relation to the term loan and revolving credit facilities of HK\$7,200 million granted to the Group on 24 May 2006, the total facilities drawn down by the Group as at 31 December 2008 is HK\$7,000 million (2007: HK\$7,000 million). It bears interest at floating interest rate of 3 months HIBOR plus 0.53% and is repayable in full on 24 May 2011. For the remaining term of the term loan portion until 24 May 2011, the interest rate is fixed at the rate of 2.865% per annum by the use of interest rate swaps as set out in note 17 (2007: the effective interest rate of the five-year term loan is 5.8% per annum).

As security for the facilities granted to the Group, certain investment properties with a fair value of HK\$25,285,300,000 as at 31 December 2008 (2007: HK\$27,059,400,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

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For the year ended 31 December 2008

23. Secured Term Loans (continued)

- (ii) In relation to the term loan and revolving credit facilities of HK\$2,954 million granted to the Group on 2 June 2008 to finance the acquisition of Langham Place, the total facilities drawn down by the Group as at 31 December 2008 is HK\$2,454 million (2007: Nil). It bears interest at floating interest rate of HIBOR plus 0.59% per annum and is repayable in full in June 2013.

As security for the facilities granted to the Group, certain investment properties with a fair value of HK\$13,570,000,000 as at 31 December 2008 (2007: Nil) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

24. Convertible Bonds

Total notional amount of convertible bonds issued by the Group, as at 31 December 2008, is HK\$5,445 million (2007: HK\$765 million), consisting of:

- (i) HK\$765 million 2% guaranteed convertible bonds due 2011 ("2006 Bonds") issued by Treasure Source Limited, an entity indirectly wholly-owned and controlled by Champion REIT on 22 December 2006. The 2006 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 a conversion price adjusted to HK\$4.32 per unit which came into effect since 3 June 2008 as a result of (a) issues at less than Current Market Price (as defined in terms and conditions of the 2006 Bonds) and (b) Excess Distribution (as defined in terms and conditions of the 2006 Bonds) during the year. If the holder has elected to convert the 2006 Bonds, the 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 2006 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.

As security for the 2006 Bonds, certain investment properties with a fair value of HK\$1,193,700,000 as at 31 December 2008 (2007: HK\$1,283,600,000) together with the assignment of insurance proceeds have been granted and mortgaged in favour of the bond holders by Treasure Source Limited.

- (ii) HK\$4,680 million 1% guaranteed convertible bonds due 2013 ("2008 Bonds") issued by Fair Vantage Limited, an entity indirectly wholly-owned and controlled by Champion REIT on 3 June 2008. The 2008 Bonds entitle the holders to convert them into units of Champion REIT at any time on and after 3 June 2009 up to the date which is seven days prior to 3 June 2013 at a conversion price adjusted to HK\$4.39 per unit which came into effect since 27 August 2008 as a result of Excess Distribution (as defined in terms and conditions of the 2008 Bonds). If the holder has elected to convert the 2008 Bonds, the 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 2008 Bonds have not been converted, redeemed by the issuer or the holders or purchased and cancelled, they will be redeemed on 3 June 2013 at 123.94%. Interest of 1% will be paid semi-annually in arrears on 3 June and 3 December each year, commencing on 3 December 2008.

As at 31 December 2008, Great Eagle, through its indirectly wholly-owned subsidiary, Bright Form Investments Limited, held an aggregate principal amount of HK\$2,340 million of 2008 Bonds.

As security for the 2008 Bonds, certain investment properties with a fair value of HK\$13,570,000,000 as at 31 December 2008 (2007: Nil) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been granted and mortgaged in favour of the bond holders by Fair Vantage Limited.

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24. Convertible Bonds (continued)

The 2006 Bonds and the 2008 Bonds (collectively referred to as the “Bonds”) contain liability components stated at amortised cost and derivative components stated at fair value. The effective interest rates of the liability component of 2006 Bonds and 2008 Bonds are 5.55% and 6.375% per annum, respectively.

As at 31 December 2008, the fair value of the derivative component is based on valuation provided to the Group by an independent valuer. The fair value is determined based on the Binomial model using the assumptions that are supported by observable market data, including dividend yield of 15.32%, share price at HK\$2.08, risk-free rate of 0.66% and 1.12% in respect of the 2006 Bonds and the 2008 Bonds, respectively, and expected volatility of 40% with reference to Champion REIT historical volatility of the past 2.5 years.

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

	2008 HK\$'000	2007 HK\$'000
<i>Liability component</i>		
At the beginning of the year	747,619	722,613
Arising on issuances of 2008 Bonds, net of transaction costs	4,434,768	—
Interest charged	206,951	40,264
Interest paid	(42,340)	(15,258)
At the end of the year	5,346,998	747,619
<i>Derivative component</i>		
At the beginning of the year	61,200	37,715
Arising on issuance of 2008 Bonds	221,832	—
Change in fair value	(221,011)	23,485
At the end of the year	62,021	61,200
Total convertible bonds	5,409,019	808,819

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25. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2007	74,282	144,789	(63,183)	155,888
Charge to consolidated income statement during the year	16,439	651,165	25,193	692,797
As at 31 December 2007	90,721	795,954	(37,990)	848,685
Charge (credit) to consolidated income statement during the year	31,396	(307,985)	15,777	(260,812)
Effect of change in tax rate	(5,184)	(45,483)	2,171	(48,496)
As at 31 December 2008	116,933	442,486	(20,042)	539,377

At the balance sheet date, the Group has unutilised tax losses of HK\$404,910,000 (2007: HK\$217,084,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$121,466,000 (2007: HK\$217,084,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$283,444,000 (2007: Nil) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

As at 31 December 2008, the Group has deductible temporary differences of HK\$1,827,818,000. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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26. Issued Units

	Number of units	HK\$'000
Balance at 1 January 2007	2,742,710,561	13,793,859
Units issued for financing the acquisition of investment property ^(a)	50,880,000	187,747
Payment of manager's fee through issuance of new units during the year ^(b)	7,845,930	31,384
Balance at 31 December 2007	2,801,436,491	14,012,990
Payment of manager's fee through issuance of new units during the year ^(c)	28,607,328	112,247
Units issued as part of consideration for the acquisition of property interests ^(d)	781,221,000	2,812,395
Units issued for financing the acquisition of property interests ^(d)	823,333,000	2,963,999
Unit issue costs	—	(141,880)
Balance at 31 December 2008	4,434,597,819	19,759,751

Notes:

- (a) 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.
- (b) 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 a payment for REIT Manager's fee for the period from 1 January 2007 to 30 June 2007.
- (c) On 25 March 2008, 12,592,639 units at HK\$3.992 per unit were issued to the Manager as settlement of manager's fee for the period from 1 July 2007 to 31 December 2007.
On 27 August 2008, 16,014,689 units at HK\$3.87 per unit were issued to the Manager as settlement of manager's fee for the period from 1 January 2008 to 30 June 2008.
- (d) On 3 June 2008, a total of 1,604,554,000 units at HK\$3.60 per unit were issued for financing the acquisition of property interests from the vendors, each of which are indirectly wholly-owned subsidiaries of Great Eagle, out of which 781,221,000 units were issued as partial settlement of the total consideration payable to Great Eagle (equivalent to approximately HK\$2,812,395,000). Further details of the acquisition are set out in note 27 below. The remaining 823,333,000 units were issued to independent third parties.

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27. Acquisition of Property Interests

On 14 February 2008, Champion REIT entered into sale and purchase agreements (the "Agreements") with The Great Eagle Company Limited, Acefield Investments Limited and Truefaith Developments Limited (all being connected persons of Champion REIT within the meaning of the Code) (hereinafter collectively referred to as the "Vendor Companies") whereby Champion REIT has agreed to acquire the commercial property interests in Langham Place and its related assets and liabilities (the "Property Interests") held by Renaissance City Development Company Limited, Ernest Limited and Best Noble Enterprises Limited subject to, among other things, the satisfaction or waiver of conditions precedent as set out in the Agreements and the ordinary resolution of the extraordinary general meeting (the "EGM Resolution"). The EGM Resolution was passed on 6 March 2008.

The above transaction was completed on 3 June 2008. The consideration of HK\$8,297,830,000 and the Property Interests acquired of HK\$11,244,564,000, resulted in an excess of Property Interests acquired over the acquisition cost. The difference of HK\$2,946,734,000 between the Property Interests acquired from the Vendor Companies over the acquisition cost has been included in the consolidated statement of changes in net assets attributable to unitholders.

Property Interests acquired are as follows:

	HK\$'000	HK\$'000
Investment properties		15,390,000
Trade and other receivables		54,183
Bank balances and cash		297,517
Trade and other payables		(56,232)
Deposits received		(139,704)
Bank loan (including accrued interest up to 2 June 2008)		(4,301,200)
Net assets acquired		11,244,564
Total consideration satisfied by:		
- Cash paid to the Vendor Companies	(3,145,435)	
- Fair value of convertible bonds issued and subscribed	(2,340,000)	
- Fair value of units issued (note 26(d))	(2,812,395)	(8,297,830)
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition		2,946,734
Net cash outflow arising on acquisition:		
Cash consideration to the Vendor Companies		(3,145,435)
Bank balances and cash acquired		297,517
		(2,847,918)

28. Major Non-Cash Transactions

During the year, 28,607,328 (2007: 7,845,930) units were issued as payment for the manager's fee, amounting to HK\$112,247,000 (2007: HK\$31,384,000).

During the year, 781,221,000 units were issued as partial settlement of the total consideration payable to Great Eagle for the acquisition of Langham Place (2007: 50,880,000 units were issued as partial settlement of the total consideration payable to Kerry for the acquisition of three floors and certain car parking spaces of Citibank Plaza).

During the year, the total consideration payable to Great Eagle for the acquisition of Langham Place was partially settled by the subscription of 2008 Bonds with principal amount of HK\$2,340,000,000 by Great Eagle.

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For the year ended 31 December 2008

29. 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 2008 of HK\$23,828,454,000 (2007: HK\$19,544,281,000) by the number of units in issue of 4,434,597,819 as at 31 December 2008 (2007: 2,801,436,491).

30. Net Current Liabilities

At 31 December 2008, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$846,744,000 (2007: HK\$873,703,000).

31. Total Assets Less Current Liabilities

At 31 December 2008, the Group's total assets less current liabilities amounted to HK\$39,307,068,000 (2007: HK\$28,178,081,000).

32. Operating Lease Commitments

At 31 December 2008, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	1,729,844	894,833
In the second to fifth year inclusive	2,206,455	1,483,969
Over five years	61,100	166,933
	3,997,399	2,545,735

The properties held had committed leases mainly 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\$16,215,000 (2007: HK\$479,000) was received for the year.

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.

33. Capital Commitments

	2008 HK\$'000	2007 HK\$'000
Capital expenditure in respect of additions to investment properties contracted for but not provided in the consolidated financial statements	31,070	—
Capital expenditure in respect of additions to investment properties authorised but not contracted for	8,812	—

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For the year ended 31 December 2008

34. Connected and Related Party Transactions

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

	NOTES	2008 HK\$'000	2007 HK\$'000
<i>Rental income</i>			
China Mobile Peoples Telephone Company Limited	(a)	210	203
Langham Hotels International Limited	(b)	5,562	—
Langham Place Hotel (HK) Limited	(b)	2,328	—
Main St. Cafe Hong Kong Company Limited	(b)	1,379	636
Strong Dynamic Limited	(b)	6,615	6,216
The Great Eagle Properties Management Company, Limited	(b)	2,941	1,317
The Great Eagle Company, Limited	(b)	15,022	—
Toptech Co. Limited	(b)	1,733	—
Eagle Asset Management (CP) Limited	(b)	269	147
Eagle Property Management (CP) Limited	(b)	803	—
HSBC Group*	(c)	43,153	15,717
<i>Interest income</i>			
HSBC Group*	(c)	15,741	24,759
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	3,444	3,334
The Great Eagle Properties Management Company, Limited	(b)	311	138
Langham Hotels International Limited	(b)	808	—
Langham Place Hotel (HK) Limited	(b)	313	—
Toptech Co. Limited	(b)	290	—
Main St. Cafe Hong Kong Company Limited	(b)	156	99
Eagle Property Management (CP) Limited	(b)	82	—
HSBC Group*	(c)	3,661	2,990

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For the year ended 31 December 2008

34. Connected and Related Party Transactions (continued)

	NOTES	2008 HK\$'000	2007 HK\$'000
<i>Building management fee</i>			
The Great Eagle Properties Management Company, Limited	(b)	124,933	88,656
Longworth Management Limited	(b)	17,692	—
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	43,643	22,401
<i>Rental commission and sundries</i>			
Eagle Property Management (CP) Limited	(b)	19,414	12,835
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	870	1,259
Toptech Co. Limited	(b)	862	1,018
Keysen Engineering Company, Limited	(b)	92	—
The Great Eagle Properties Management Company, Limited	(b)	13	6
Sun Fook Kong Housing Services Limited	(e)	13	1
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	1,258	1,891
Toptech Co. Limited	(b)	644	1,456
Keysen Engineering Company, Limited	(b)	95	—
The Great Eagle Properties Management Company, Limited	(b)	13	6
Sun Fook Kong Housing Services Limited	(e)	13	1
<i>Insurance fee</i>			
The Great Eagle Insurance Agency Limited	(b)	690	581
<i>Trustee's fee</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	6,885	5,243
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(f)	160,103	81,654
<i>Acquisition cost for investment properties</i>			
Eagle Asset Management (CP) Limited	(b)	125,000	9,946
HSBC Institutional Trust Services (Asia) Limited	(c)	100	100
Savills Valuation and Professional Services Limited	(d)	400	90
Savills Project Consultancy Limited	(d)	250	—
<i>Finance costs</i>			
Hang Seng Bank Limited^	(c)	240,770	338,118
<i>Valuation fee</i>			
Savills Valuation and Professional Services Limited	(d)	388	174
Savills (Hong Kong) Limited	(d)	252	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. Connected and Related Party Transactions (continued)

	NOTES	2008 HK\$'000	2007 HK\$'000
Balances with related parties as are as follows:			
<i>Amount due from</i>			
Strong Dynamic Limited	(b) & (g)	—	128
Toptech Co. Limited	(b) & (g)	—	337
The Great Eagle Properties Management Company, Limited	(b) & (g)	26,036	14,387
The Great Eagle Company, Limited	(b) & (g)	21	21
Longworth Management Limited	(b) & (g)	15,311	—
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	24,079	6,974
Eagle Asset Management (CP) Limited	(b) & (g)	98,126	50,270
Toptech Co. Limited	(b) & (g)	759	264
The Great Eagle Engineering Company Limited	(b) & (g)	3,042	1,128
The Great Eagle Properties Management Company, Limited	(b) & (g)	10,788	—
Keyesen Engineering Company, Limited	(b) & (g)	51	—
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
China Mobile Peoples Telephone Company Limited	(a)	37	34
Eagle Property Management (CP) Limited	(b)	10	—
Main St. Cafe Hong Kong Company Limited	(b) & (h)	10	30
The Great Eagle Properties Management Company, Limited	(b)	879	373
Toptech Co. Limited	(b)	869	—
Strong Dynamic Limited	(b) & (i)	—	—
Langham Hotels International Limited	(b) & (j)	—	—
Langham Place Hotel (HK) Limited	(b) & (k)	15	—
HSBC Group*	(c)	10,396	3,541

Notes:

- (a) This company is an associate of Dr. Lo Ka Shui (the Chairman of Champion REIT and Great Eagle) by virtue of Dr. Lo Ka Shui, is being an independent non-executive director of the ultimate holding company of this company.
- (b) These companies are subsidiaries of Great Eagle Holdings Limited, a significant holder of Champion REIT units.
- (c) These companies are the Trustee or associates of the Trustee.
- (d) These companies are the principal valuer of Champion REIT or its associates.
- (e) 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.
- (f) The Manager's Fee is calculated at 12% of the net property income provided that Champion REIT achieves net property income of HK\$200 million for each of the six month period ended 30 June 2008 and 31 December 2008.
- (g) The amounts due from and due to related parties are unsecured, interest-free and have no fixed repayment terms.
- (h) In addition, a bank guarantee of HK\$511,000 (2007: HK\$325,000) was received in lieu of deposit.
- (i) A bank guarantee of HK\$2,593,000 (2007: HK\$2,112,000) was received in lieu of deposit.
- (j) A bank guarantee of HK\$2,864,000 (2007: Nil) was received in lieu of deposit.
- (k) In addition, a bank guarantee of HK\$1,160,000 (2007: Nil) was received in lieu of deposit.
- * 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.
- ^ Hang Seng Bank Limited is the facility agent under the term loan and revolving credit facility of HK\$7,200 million (of which HK\$7,000 million term loan was drawn down on 24 May 2008 and outstanding as at 31 December 2008) and HK\$2,954 million (of which HK\$2,454 million term loan was drawn down on 3 June 2008 and outstanding as at 31 December 2008).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

35. Subsequent Events

At the extraordinary general meeting of unitholders of Champion REIT held on 9 March 2009, the ordinary resolution in respect of the modification of distribution policy of Champion REIT such that the Manager may distribute to unitholders an amount of not less than 90% of Champion REIT's Annual Distributable Income (as defined in the Trust Deed) for each financial year commencing from 1 January 2009 was passed.

36. Entities Controlled by Champion REIT

The following entities are wholly-owned and controlled by Champion REIT as at 31 December 2008.

Name	Issued and fully paid Ordinary share capital	Principal activities
Incorporated in the British Virgin Islands and directly owned and 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
Elvert Castle Holdings 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 in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
Bass Castle Investments Limited	1 share of US\$1	Investment holding
Best Noble Enterprises Limited	1 share of US\$1	Investment holding
Eagle Castle Holdings Limited	1 share of US\$1	Investment holding
Helon Castle Investments Limited	1 share of US\$1	Investment holding
Incorporated in Hong Kong and directly owned and controlled by Champion REIT:		
Gorgeous Profit Limited	1 share of HK\$1	Inactive

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For the year ended 31 December 2008

36. Entities Controlled by Champion REIT (continued)

Name	Issued and fully paid Ordinary share capital	Principal activities
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	100 shares of HK\$10 each	Property investment
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
Renaissance City Development Company Limited	2 shares of HK\$10 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
Trump Treasure Limited	1 share of HK\$1	Financing
Well Charm Development Limited	2 shares of HK\$1 each	Property investment
Incorporated and operating in Cayman Islands and indirectly owned and controlled by Champion REIT:		
Ernest Limited	100 shares of US\$1 each	Investment holding
Fair Vantage Limited	1 share of US\$1	Debt securities issuer

PERFORMANCE TABLE

As at 31 December 2008

	Year ended 31.12.2008	Year ended 31.12.2007	Period ended 31.12.2006
Net asset value (HK\$'000)	23,828,454	19,544,281	16,562,844
Net asset value per unit (HK\$)	5.37	6.98	6.04
The highest traded price during the period (HK\$)	4.85	4.77	4.375
The highest premium of the traded price to net asset value ¹	N/A	N/A	N/A
The lowest traded price during the period	1.31	3.69	3.70
The highest discount of the traded price to net asset value	75.61%	47.13%	38.74%
The distribution yield per unit ²	15.38%	7.43%	8.75%
The net (loss)/profit yield per unit ³	-31.19%	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\$0.3198 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2008 over the traded price of HK\$2.08 as at 31 December 2008.
3. Net loss yield per unit is calculated based on loss for the year before distribution to unitholders per unit for the year ended 31 December 2008 over the traded price of HK\$2.08 as at 31 December 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
LEE Ching Ming, Adrian

Independent Non-executive
Directors
CHA Mou Sing, Payson
ELDON, David Gordon
SHEK Lai Him, Abraham

COMPANY SECRETARY
OF THE REIT MANAGER
G. E. Secretaries Limited

PROPERTY MANAGER
Eagle Property Management (CP)
Limited

TRUSTEE
HSBC Institutional Trust Services
(Asia) Limited

PRINCIPAL BANKER
Hang Seng Bank Limited

LEGAL ADVISOR
Baker & McKenzie

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Savills Valuation and Professional
Services Limited

UNIT REGISTRAR AND TRANSFER OFFICE

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Services Limited
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