

CHAMPION REIT

ANNUAL REPORT 2009



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)



ChampionREIT
冠君產業信託

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

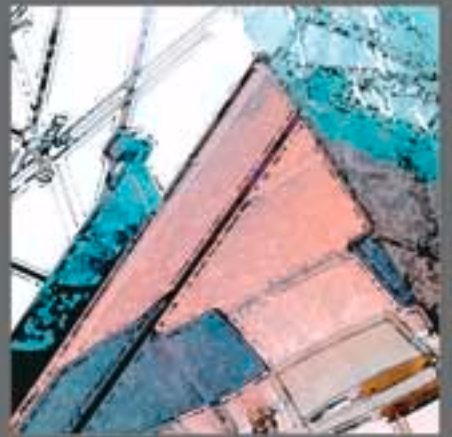
The REIT Manager has adopted compliance procedures and applies them to ensure the sound management and operation of Champion REIT. The current corporate governance framework emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures.

TRUST PROFILE

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. 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.

TRUST OBJECTIVES

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



CONTENTS

04	Timeline of Significant Events
05	Financial Highlights
06	Chairman's Report to Unitholders
08	CEO's Review

MANAGEMENT

12	Board of Directors
16	Senior Management
19	Management Philosophy
21	Financial Review
24	Corporate Social Responsibility

PORTFOLIO

28	Properties At-a-glance
30	Citibank Plaza
34	Langham Place

REPORTS

39	Valuation Report
59	Trustee's Report
60	Corporate Governance Report
73	Connected Party Transactions
82	Disclosure of Interests
86	Independent Auditor's Report

FINANCIALS

87	Financial Statements
136	Performance Table

CORPORATE INFORMATION

TIMELINE OF SIGNIFICANT EVENTS



the Hexagons that became Cubes
block print on vanguard

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2009

	FY2009	FY2008	% Change
Key Financial Figures	HK\$'000	HK\$'000	
Total Revenue	2,035,028	1,613,836	+26.1%
Property Operating Expenses	(325,806)	(279,646)	+16.5%
Net Property Income	1,709,222	1,334,190	+28.1%
Profit (Loss) After Tax	3,744,553	(2,876,500)	n/a
Total Distributable Income	1,312,318	1,037,283	+26.5%
Total Distribution	1,241,947	1,408,220 ¹	-11.8%
Gross Value of Portfolio	44,240,800	40,049,000	+10.5%

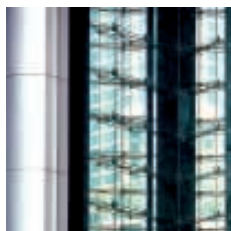
¹ includes HK\$371 million from the unwinding of financial engineering

	FY2009	FY2008	% Change
Ratios and Per Unit Figures			
Distribution per Unit	HK\$0.2617	HK\$0.3182	-17.8%
Distribution per Unit (underlying) ²	HK\$0.2768	HK\$0.2172	+27.4%
Net Asset Value per Unit	HK\$5.67	HK\$5.37	+5.6%
Gearing ratio	32.2%	36.0%	-3.8% ³
Expense Ratio	16.0%	17.3%	-1.3% ³

² adjusted for cashflow from financial engineering in 2008 and using a 100% payout ratio throughout

³ absolute change used for figures stated in percentages

CHAIRMAN'S REPORT TO UNITHOLDERS

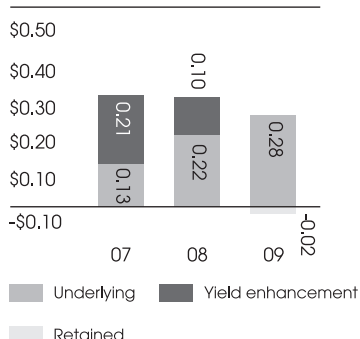


looking through
citibank plaza

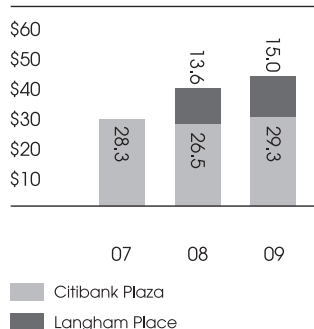
THE VALUE OF THE TRUST'S PROPERTY ASSETS NOW STAND AT HK\$44.24 BILLION, AN INCREASE OF HK\$4.19 BILLION FROM A YEAR AGO

DISTRIBUTION PER UNIT FOR THE YEAR WAS HK\$0.2617...UNDERLYING DPU GROWTH WAS STRONG AT 27.4%

Distribution per Unit
in HK\$



Value of Property Portfolio
in HK\$ (billions)



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 2009.

2009 was operationally a challenging year, which saw the brunt of the impact from the banking and financial crisis coinciding with concerns of a full-blown H1N1 influenza epidemic. However, we experienced little in the way of contract defaults and thus the income momentum built up from 2008 continued to support revenue for Champion REIT into 2009. As a reflection of the strong recovery in transaction prices of commercial properties in 2009, the value of the Trust's property assets now stand at HK\$44.24 billion, an increase of HK\$4.19 billion from a year ago.

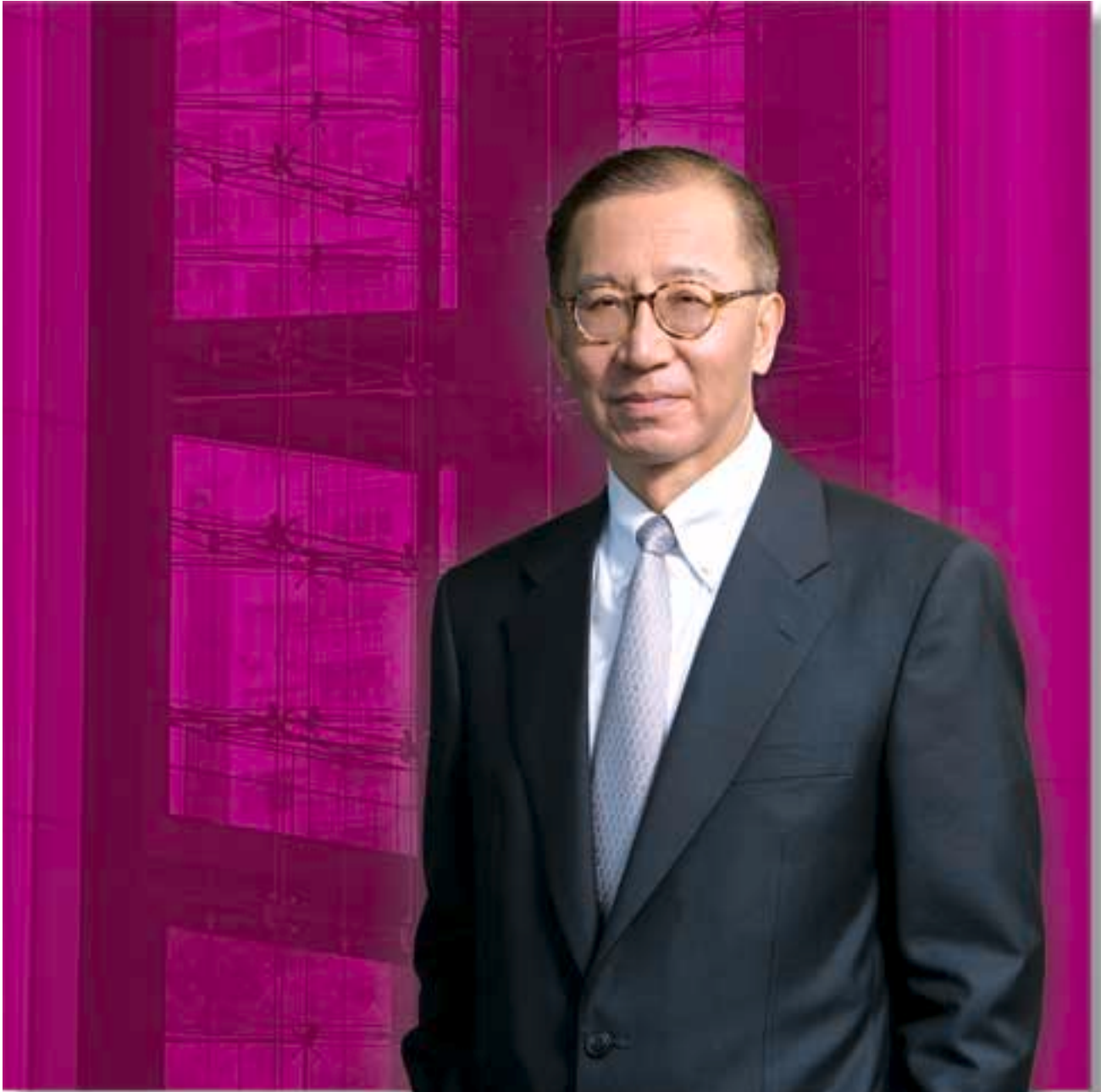
As a reflection of the increase in property prices in Hong Kong, and the accumulation of cash reserves, Net Asset Value (NAV) has increased from HK\$5.37 to \$5.67 per Unit while gearing has improved from 36.0% to 32.2%. As part of a strategy to build up cash reserves in 2009, the Trust introduced a Distribution Reinvestment Arrangement which allows Unitholders to opt for new Units in lieu of their cash distribution. To date, HK\$688 million in deployable cash reserves has been built up from this arrangement. In

addition, a further HK\$70 million has been retained by reducing the payout ratio from 100% to 94.6% this year. These reserves will serve to increase financial flexibility and to facilitate growth through acquisitions in the future.

Distribution per Unit (DPU) for the year was HK\$0.2617, comprising HK\$0.1304 already paid out as an interim distribution, and HK\$0.1313 to be paid out as the final distribution. The headline DPU figure was lower than in 2008, but only because of the reduction in payout ratio, and because of the additional cashflow from financial engineering and its unwinding in 2008. Netting out the impact of these distortions, Underlying DPU growth was strong at 27.4%.

While the Champion REIT's top line revenue numbers have held up well so far, a lagged impact from the 2009 rental downturn is inherent in the nature of multi-year leases and a decrease in income is expected for the year 2010. However, we will continue to pursue a prudent strategy of generating stable and sustainable distributions for our Unitholders.

LO Ka Shui
Chairman



the Chairman
digital photo art

CEO'S REVIEW

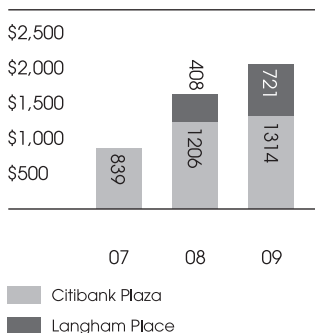


langham place mall
at twilight

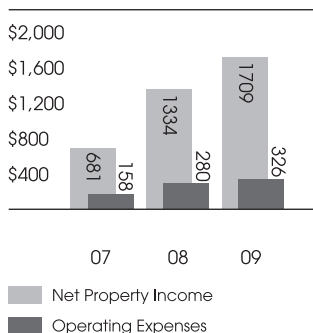
IN 2009, TOTAL REVENUE INCREASED 26.1% TO HK\$2.04 BILLION

WITH THE HIGHER REVENUE AND A LOWER EXPENSE RATIO, NET PROPERTY INCOME INCREASED BY 28.1% TO HK\$1.71 BILLION IN 2009

Gross Revenue in HK\$ (millions)



Net Property Income in HK\$ (millions)



In 2009, total revenue increased 26.1% to HK\$2.04 billion as a result of rental gains at Citibank Plaza in the first half and the full-year accounting of income from Langham Place. Gross revenue at Citibank Plaza increased by 9.0% to HK\$1.31 billion. As the Trust only acquired Langham Place in June 2008, it would be more appropriate to discern the recent relative performance of the properties by comparing the second-half of 2009 to the second-half of 2008. On that basis, revenue at Citibank Plaza fell by 0.9%, revenue at the Langham Place Office Tower increased by 0.2% while revenue at the Langham Place Mall increased by 4.3%.

Operating expenses for 2009 were HK\$325.8 million. This grew at a slower pace than revenue partly because of reduced leasing activity. As a result, the expense ratio has improved to 16.0%, from 18.9% last year. With the higher revenue and a lower expense ratio, Net Property Income increased by 28.1% to HK\$1.71 billion in 2009.

Citibank Plaza

As financial institutions downsized in 2009, there was intense competition for office tenants in Central. Spot rental rates achieved at Citibank Plaza retreated from their peak of HK\$120 per sq. ft. to near HK\$75 per sq. ft. at

the end of the year. The occupancy rate at Citibank Plaza weakened to 87.6%, as compared to 97.9% a year earlier, mainly as a result of relocation decisions made by some cost-sensitive tenants early in 2009, at the height of the financial turmoil.

Passing rental rates (the average rental rate of existing contracted tenancies) at Citibank Plaza continued to see an improvement in the first half of 2009, as the rent rates achieved on leases rolled over in 2009 were on the average higher than the passing rents of expired leases that were signed in 2006. A peak in passing rents was reached in July when negative rental reversions began to have a greater effect. The progressively lower spot rental rates in the following months resulted in a passing rent of HK\$90.07 per sq. ft. in December 2009.

Langham Place Office Tower

In contrast to the phenomenon of tenant downsizing in Central, the office rental market on the Kowloon Peninsula was more affected by the launch of new space over the past 18 months. Langham Place's reputation as a proven quality development and its attractive subway location allowed the Office Tower to maintain its occupancy at a high level throughout 2009. As of 31st December 2009,



the CEO
digital photo art

CEO'S REVIEW

the occupancy stood at 98.5%. The office rental rates on the Kowloon Peninsula were however constrained by an overhang of new supply in the Kowloon East districts. The spot rent rates for office space at Langham Place at year-end 2009 ranged from HK\$23 to HK\$32 per sq. ft., depending on the floor level and the users' location sensitivity, as compared to HK\$32 to HK\$40 per sq. ft. as of December 2008. The passing rent rate was maintained at roughly the same levels throughout 2009 despite the fall in spot rents, as the new rental rates were in line with the existing passing rental rate, and also because only a relatively small proportion (approximately 6% by floor area) of the leases were rolled over in 2009.

Langham Place Mall

Langham Place Mall performed admirably in 2009, reinforcing its status as one of the most popular shopping malls in Kowloon. After a momentary slowdown in tenant sales from the H1N1 influenza scare in the second quarter, the sales momentum of the Mall bounced back quickly in the second half. The Mall remained virtually fully let throughout 2009 and ended the year with an occupancy rate of close to 100%. Footfall, or the number of visitors, for 2009 was maintained at the high levels of 2008. The resilience of Langham Place Mall was largely the result of its ever-improving mix of quality retailers, which has enhanced its popularity among local shoppers and tourists alike. The Mall's creative promotion and events, including two highly successful mall-wide sale events in

April and October 2009 - the first of its kind among shopping centres in Hong Kong, have also generated a considerable amount of goodwill with the retailers. As a result, the majority of leases that fell due during the year were rolled over with increases in their rental. Average passing rent rate of the mall managed to increase to HK\$88.61 per lettable sq. ft. by the end of the year.

Outlook

The financial crisis that deeply affected all facets of the Hong Kong economy in 2009, including the office rental market, was fortunately briefer and shallower than earlier feared. At the beginning of 2010, the Central Grade-A market appears to be bottoming out in terms of both occupancy and rent rates. The present vacancy rate at Citibank Plaza is higher than the general market. However, the level of enquiries received at Citibank Plaza has evidently picked up in early 2010 though it may take time to translate the enquiries into actual occupancy. With an additional 18.2% of the leases in Citibank Plaza by floor area falling due in 2010, it may be possible for vacancies to go up further from the present level before they come down again. That will have a negative impact on the income of Citibank Plaza in 2010. Nevertheless, with the economy recovering, and the shortage of new supply in Central for a long time to come, Citibank Plaza should be well positioned to return to high occupancy in the ensuing up cycle.

Gross Revenue	FY2009	FY2008	% Change
Citibank Plaza	HK\$'000	HK\$'000	
First Half	675,984	561,432	+20.4%
Second Half	638,478	644,551	-0.9%
Entire Year	1,314,462	1,205,983	+9.0%
Langham Place Office	HK\$'000	HK\$'000	
First Half	135,085	20,800 ¹	n/a
Second Half	134,465	134,242	+0.2%
Entire Year	269,550	155,042 ¹	n/a
Langham Place Mall	HK\$'000	HK\$'000	
First Half	220,365	31,600 ¹	n/a
Second Half	230,651	221,211	+4.3%
Entire Year	451,016	252,811 ¹	n/a

¹ incomplete periods

Average Monthly Passing Rent

(HK\$ per sq. ft.)	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
Citibank Plaza Office	87.46	89.59	90.24	90.24	90.24	90.57	90.49	90.96	90.66	89.90	90.05	90.00	90.07
Langham Place Office	26.79	26.77	26.77	26.77	26.77	26.77	26.77	26.76	26.82	26.82	26.82	26.82	26.82
Langham Place Retail	87.93	87.95	88.05	87.31	87.32	87.28	87.28	87.33	87.48	87.61	88.10	88.57	88.61

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

On the Kowloon side, an overhang of new office supply in the peripheral Kowloon East area will continue to be a factor, but the continued high occupancy of the Langham Place Office Tower in 2009 has proven its ability to retain tenants in spite of its substantial rental premium. Over 35% of the Office Tower was originally due for expiry in 2010. To date, many early rollovers have been successfully negotiated, and the remaining 2010 expiries now cover only 20% of floor space, thereby limiting the downside in terms of 2010 occupancy. However there should be a modest amount of negative rental reversion in cases where the tenants are in trades that are less location sensitive.

The prospects are much better for the Langham Place Mall, which has proved to be a good balance countering the higher income volatility of the Central office market. The positive rental reversion on leases done during 2009 (representing approximately 18% of the floor area) will translate into higher income for the Mall in 2010. Because of its consistently strong shopper traffic, Langham Place has become the location of choice for many cosmetics brands and mid-priced apparel retailers. As a result it has not been uncommon to see multiple bids for some of the shops that have become available. 44% of the leases by floor area are expiring in 2010 and based on the cases that have either been completed or are at an advanced stage of negotiation, a generally satisfactory pick up in rents is expected. 2010 therefore looks set to be a strong year for the Mall. A number of new mid-sized shopping centres are being launched in Tsim Sha Tsui, Kowloon in 2010. While we are confident that Langham Place will be able to compete effectively in view of its unique market positioning and strong location, we will nonetheless intensify marketing and promotions to keep up the sales momentum in 2010.

In 2010 the full impact of higher vacancies and leases signed at Citibank Plaza in the second half of last year will begin to weigh upon the Trust's revenue. Langham Place Mall will play its role as stabilizer, to a degree mitigating an anticipated contraction of income from the office properties. On balance, it would be realistic to expect a lower Distributable Income for 2010.

LEE Ching Ming, Adrian
Chief Executive Officer

MANAGEMENT

BOARD OF DIRECTORS



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

Dr. Lo Ka Shui

Non-executive Director and Chairman

Dr. Lo, aged 63, 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, a board member of the Hong Kong Airport Authority and the Chairman of The Chamber of Hong Kong Listed Companies.

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 has more than 30 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.

Mr. Cheng Wai Chee, Christopher

Non-executive Director

Mr. Cheng, aged 62, 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 an Independent Non-executive Director of several listed and unlisted companies, including NWS Holdings Limited, New World

China Land Limited, Kingboard Chemical Holdings 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 honorary court of the Hong Kong University of Science and Technology, the board of Overseers at Columbia Business School, member of President's Council on International Activities of the Yale University, a steward of The Hong Kong Jockey Club and 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.

Mr. Ho Shut Kan

Non-executive Director

Mr. Ho, aged 61, 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.

Mr. Lo Kai Shui

Non-executive Director

Mr. Lo, aged 50, 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 27 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.

Mr. Lee Ching Ming, Adrian

Executive Director and Chief Executive Officer

Mr. Lee, aged 58, 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 36 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.

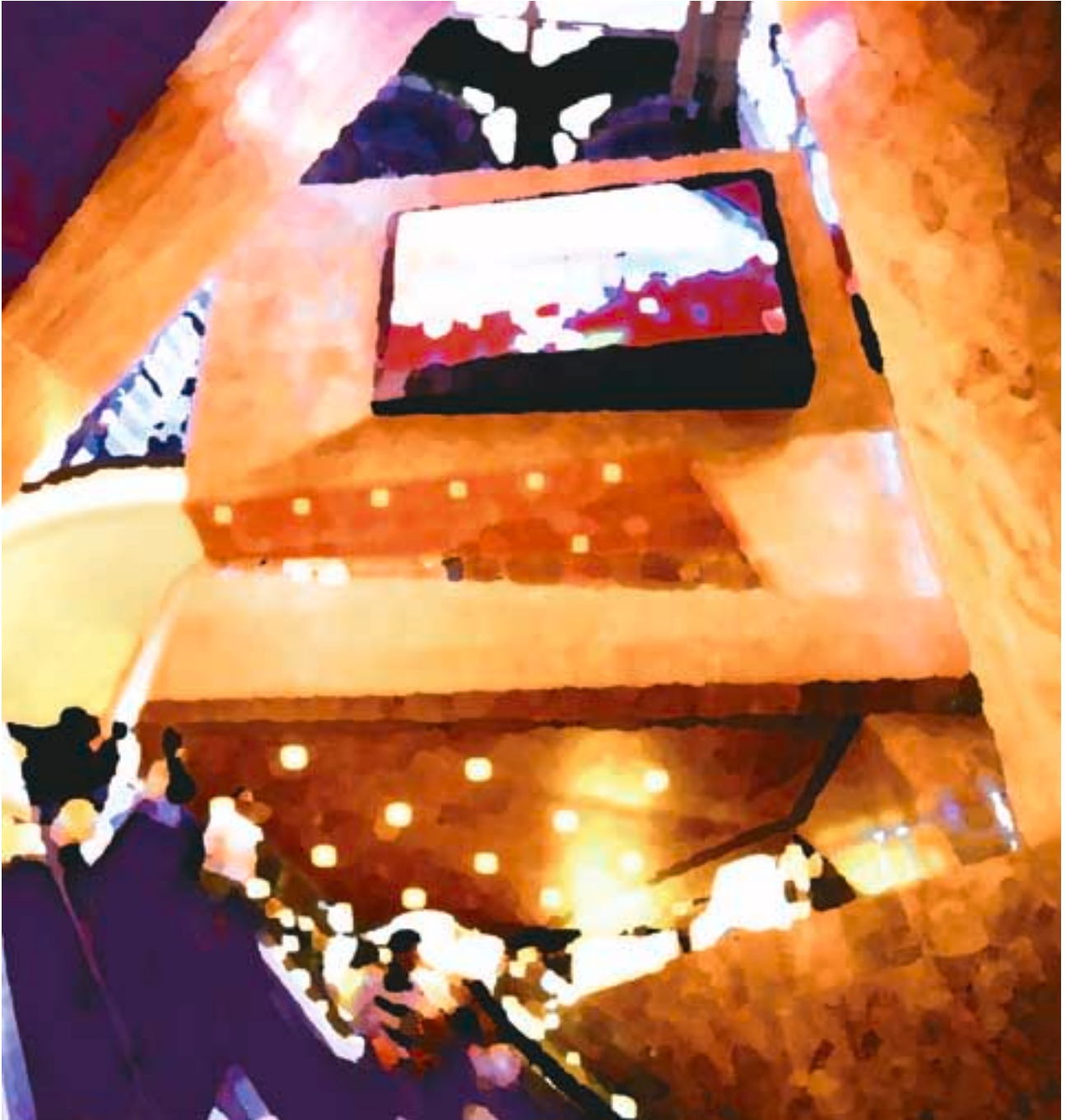
Mr. Cha Mou Sing, Payson

Independent Non-executive Director

Mr. Cha, aged 67, 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 CCM Trust (Cayman) Limited, all of which are substantial shareholders of HKR International Limited.



atrium of langham place mall



A warm shopping experience

watercolour on vellum

BOARD OF DIRECTORS



Mr. Cha holds an honorary doctorate degree of Social Science from City University of Hong Kong. He has over 44 years' experience in property development.

Mr. Eldon David Gordon

Independent Non-executive Director

Mr. Eldon, aged 64, was appointed an Independent Non-executive Director of the REIT Manager in 2006. He commenced a career in banking in 1964 and joined the HSBC Group in 1968 assuming a variety of roles in the Middle East and Asia. He became chairman of Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited in 1996 and 1999 respectively. He was



also appointed as a director of HSBC Holdings plc in 1999. After 37 years of service, he retired from the HSBC Group in 2005. He is now Senior Adviser of PricewaterhouseCoopers, Hong Kong. He is also Chairman of the Dubai International Financial Centre Authority, senior independent non-executive director of Noble Group Limited, an independent non-executive director of Shui On Construction and Materials 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. He was conferred an Honorary Doctor of Business Administration by the City University of Hong Kong in 2003.

Mr. Shek Lai Him, Abraham

Independent Non-executive Director

Mr. Shek, aged 64, 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 the Chairman and an Independent Non-executive Director of Chuang's China Investments Limited and also an Independent Non-executive Director of MTR Corporation Limited, Midas International Holdings Limited, Pallburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International 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.

MANAGEMENT

SENIOR MANAGEMENT



Mr. Lee Ching Ming, Adrian
Chief Executive Officer



Mr. Patrick Choo
Chief Investment Officer



Mr. Kwong Chi Kwong
Chief Operating Officer



Ms. Sung Kar Wai, Rosana
*Finance and Office
Administration Manager*



Mr. Li Long, Michael
Compliance Manager



Mr. Lee Pak Shing, John
Internal Auditor

Management of Champion
watercolour renderings on paper

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 21 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 authorised 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 21 years' experience in the industry and has held a variety of management and supervisory roles in areas of leasing and sales of properties, formulation and implementation of market plans, market research, site acquisitions, feasibility studies, liaison with government authorities and external professionals and administration. Mr. Kwong 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, overseeing the preparation of profit and cashflow forecasts and the reporting of financial returns to regulators. With more than 13 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.

Mr. Li Long, Michael

Compliance Manager

Mr. Li is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Prior to joining the REIT manager, Mr. Li worked in various international financial institutions for many years, performing operational control and compliance duties.

Mr. Li holds a Bachelor of Arts degree with major in Financial Services from the Hong Kong Polytechnic University.

Mr. Lee Pak Shing, John

Internal Auditor

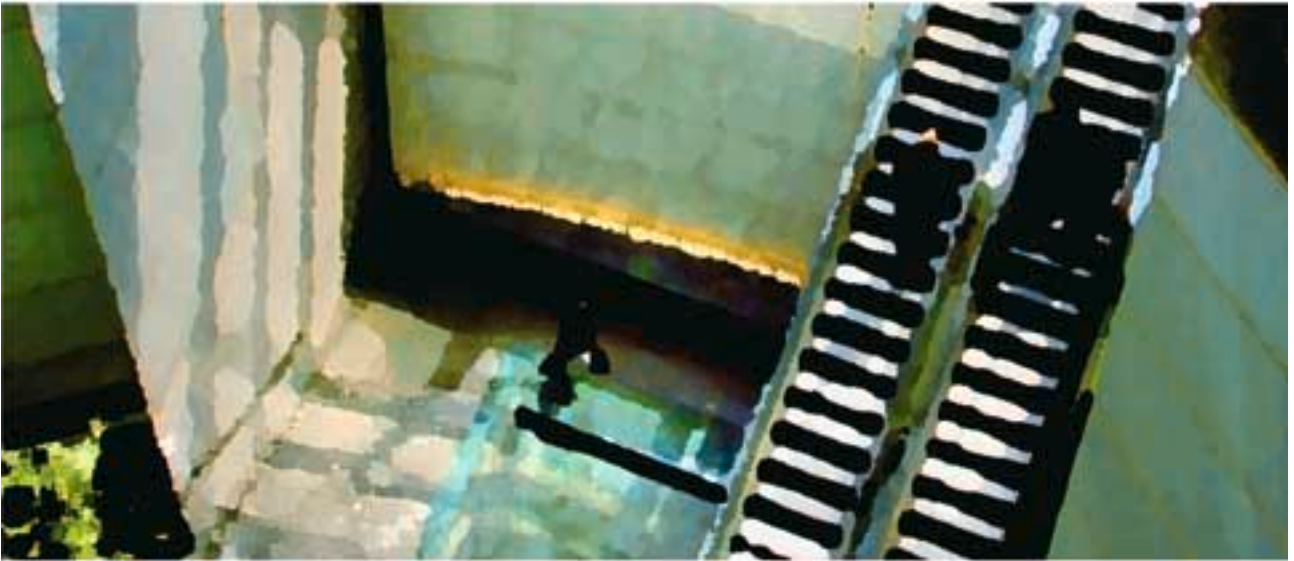
Mr. Lee is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures internal control systems function properly and provides regular reports to the audit committee of the board of directors. Prior to joining the REIT Manager, Mr. Lee worked as a senior internal auditor at a well-recognized listed retailer and has over 15 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.



exit to hk park at
citibank plaza (left)

expresscalators at
langham place (right)



Upward Mobility 1 & 2

acrylic on canvas

MANAGEMENT

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

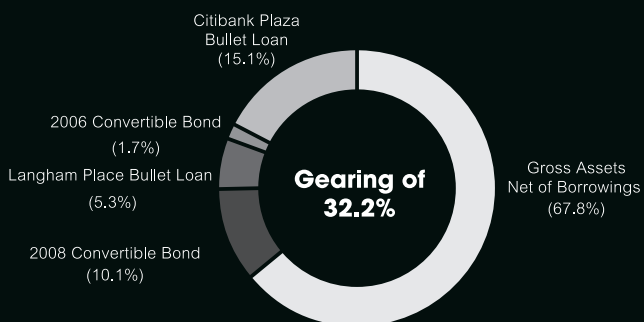
through renovation, other enhancements and proactive property management will also be assessed.

Building specifications

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

CROWN JEWELS

INK ON PORCELAIN



MANAGEMENT

FINANCIAL REVIEW

DISTRIBUTIONS

Distribution Amount

Champion REIT's total distributable income for the year was HK\$1,312,318,000. The total distribution of Champion REIT for the year ended 31 December 2009, calculated as 90% of Champion REIT's total available distributable income for each of the first and second halves of the year, was HK\$1,241,947,000. Because of the compulsory inclusion of retained distributions from the first half of the Year into the distributable income of the second half (as required under the Trust Deed), the effective payout ratio for the full year was 94.6%.

Last year, the total distribution of Champion REIT was HK\$1,408,220,000, calculated as 100% of Champion REIT's total distributable income of HK\$1,037,283,000 for such period plus additional amounts of HK\$370,937,000 at the discretion of REIT Manager.

Distribution per Unit

The distribution per Unit for the six months ended 31 December 2009 was HK\$0.1313. Such distribution per Unit, however, is subject to adjustment upon issuance of Units to the REIT Manager for the settlement of manager's fee in respect of the second half of year 2009 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 2009.

With an interim distribution per Unit of HK\$0.1304 and a final distribution per Unit of HK\$0.1313, total distribution per Unit for the year amounted to HK\$0.2617 (2008: HK\$0.3182). The distribution per Unit of HK\$0.2617 represents a distribution yield of 7.93% based on the closing price of HK\$3.30 as at 31 December 2009.

Calculation of the effective payout ratio for the year ended 31 December 2009

		HK\$'000
Total distributable income for the first half of 2009		676,231
Payout ratio		90%
Distribution amount for first half of 2009 paid	(a)	608,608
Total distributable income for the year	(b)	1,312,318
Less: distribution amount for first half of 2009 paid	Per (a)	(608,608)
Total available distributable income for second half of 2009		703,710
Payout ratio		90%
Distribution amount for second half of 2009 to be paid	(c)	633,339
Total distribution amount for the year	(d)=(a)+(c)	1,241,947
Effective payout ratio	(e)=(d)/(b)	94.6%

Source of Distributions

	FY2009	FY2008	% Change
	HK\$ / Unit	HK\$ / Unit	
Interest savings from interest swap	—	0.0151	n/a
Impact of Distribution Waivers	—	0.0023	n/a
Unwinding of financial engineering	—	0.0836	n/a
Rental and other income	0.2768	0.2172	+27.4%
Discretionary adjustment to distribution	(0.0151)	—	n/a
Distribution per Unit	0.2617	0.3182	-17.8%

FINANCIAL REVIEW

Distribution Reinvestment Arrangement

A semi-annual 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 26 April 2010 and a circular containing the relevant details together with the relevant election form will be sent to all qualified Unitholders on or about 29 April 2010.

Closure of Register of Unitholders

The register of Unitholders will be closed from Wednesday, 21 April 2010 to Monday, 26 April 2010 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The final distribution will be payable on or about 25 May 2010 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2009 Final Distribution and be entitled to attend and vote at the annual general meeting, all properly completed transfer forms (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, 20 April 2010.

Debt Profile

As at 31 December 2009, total outstanding borrowings of the Trust amounted to HK\$14,879 million. The total borrowings comprised of:

- HK\$7,000 million term loan which is repayable in full in May 2011

- HK\$765 million of convertible bonds in principal amount which will mature in May 2011
- HK\$2,454 million term loan which is repayable in full in June 2013
- HK\$4,660 million convertible bonds in principal amount which will mature in June 2013

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

31 December 2009		
Due in the ...	HK\$ million	% of total
first year	—	—
second year	7,765	52.2
third year	—	—
fourth year	7,114	47.8
Total	14,879	100.0

During the year, Champion REIT has interest rate swaps ("IRS") with a total notional amount of HK\$7,000 million in order to swap the Trust's floating rate interest payments under the HK\$7,000 million term loan into fixed rate interest payments. In October 2009, the IRS was amended from quarterly payments to monthly payments for interest payment starting from 24 November 2009 until maturity in May 2011. As a result of such amendment, the fixed rate for these IRS was changed from 2.865% per annum to 2.8225% per annum. The HK\$2,454 million term loan has an interest rate of HIBOR plus 0.59% per annum. As at 31 December 2009, 84% of the Trust's debt (including the convertible bonds) had fixed interest rates.

As at 31 December 2009, the two outstanding convertible bonds issued by two controlled entities of the Trust have the features as given in the table below.

During the year, the Trust repurchased HK\$20 million of the convertible bonds issued in year 2008 at a price range

Convertible Bond Features	Issued in 2006	Issued in 2008
Principal amount:	HK\$765 million	HK\$4,660 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\$4.26	HK\$3.83

of 90 to 93 per cent of their principal amounts. The repurchased convertible bonds were cancelled on 24 June 2009.

As at 31 December 2009, total gross assets of the REIT were HK\$46,273.7 million. Therefore, the gearing ratio, or total borrowings as a percentage of gross assets was 32.2%. The gross liabilities (excluding net assets attributable to Unitholders) as a percentage of gross assets were 40.9%.

Net Assets Attributable To Unitholders

As at 31 December 2009, net assets attributable to Unitholders was HK\$27,359.3 million or HK\$5.67 per Unit, a 71.8% premium to the closing Unit price of HK\$3.30 as at 31 December 2009.

Cash Position

As at 31 December 2009, Champion REIT had total undrawn bank loan facilities of HK\$700 million and cash balance of HK\$1,832.1 million. Through its voluntary distribution reinvestment arrangements for the final 2008 distribution period and interim 2009 distribution period, the Trust has managed to retain over HK\$688.7 million during the year to strengthen the financial position of the Trust. 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 2009, properties of Champion REIT with a fair value of HK\$44,240.8 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the 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 2009, the Trust did not have any significant commitments.

Rental Stabilisation Arrangement

Pursuant to a sale and purchase agreement dated 11 December 2006 ("Agreement") for the acquisition of 3 floors and certain parking spaces in Citibank Plaza, the actual New Property Income (as defined in the Agreement) for the two six-month periods ended 30 June 2009 and 31 December 2009 were equivalent to HK\$27,082,000 and HK\$23,200,000 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\$3,910,000 and HK\$7,792,000 respectively had arisen for the two six-month periods ended 30 June 2009 and 31 December 2009 respectively. Accordingly, sums of approximately HK\$3,910,000 and HK\$7,792,000 were paid to the Trust on 30 June 2009 and 31 December 2009 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 2009.

Major Estate Agents and Contractors

The top five real estate agents and contractors and their respective value of service are given below:

Real Estate Agents and Contractors	Nature of Service	Value of Contract	Relevant Cost
		HK\$	%
The Great Eagle Properties Management Company, Limited	Building management	150,907,000	50.7
Eagle Property Management (CP) Limited	Leasing and marketing	64,151,000	21.6
Longworth Management Limited	Building management	30,621,000	10.3
The Jardine Engineering Corporation Ltd.	Engineering works	27,876,000	9.4
R Two (HK) Ltd	Promotion expenses	6,098,000	2.0
Total		279,653,000	94.0

CORPORATE SOCIAL RESPONSIBILITY



garden outside
ICBC tower

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

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

Health and Safety

Champion REIT's properties contain many of the environmental and safety features expected of modern premium grade properties, including computerized automatic fire detection alarm systems and emergency power to common areas and essential facilities 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 indoor air quality and circulation are maintained. Citibank Plaza is classified as 'Excellent' under the government sponsored IAQ Certification Scheme for Offices and Public Places. 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 humidification control have been undertaken at Langham Place in recent years.

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. 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 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 incremental areas and turned off for unused areas. Within the Langham Place complex, covering both the office and retail sections, a temperature reset control system regulates chilled water supply according to the prevailing air temperature outside the building.



The green tree
watercolour on paper

CORPORATE SOCIAL RESPONSIBILITY



flower bed at
citibank plaza promenade

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. Langham Place Mall participated in Power Smart 2009 and received an Energy Conservation Award from the Friends of the Earth.

An energy audit on Citibank Plaza's building mechanical and electrical systems by an external consultant was completed in 2009. Based on conclusions from the audit, Citibank Plaza has further improved its energy efficiency. In addition, Citibank Plaza was able to qualify for government funding under the Buildings Energy Efficiency Funding Schemes because of the audit. The funds will be used to replace some public lighting fixtures with devices which are more energy efficient.

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.

THIS YEAR, LANGHAM PLACE WAS SELECTED AS A CARING COMPANY BY THE HONG KONG COUNCIL OF SOCIAL SERVICE FOR THE 3RD YEAR IN A ROW

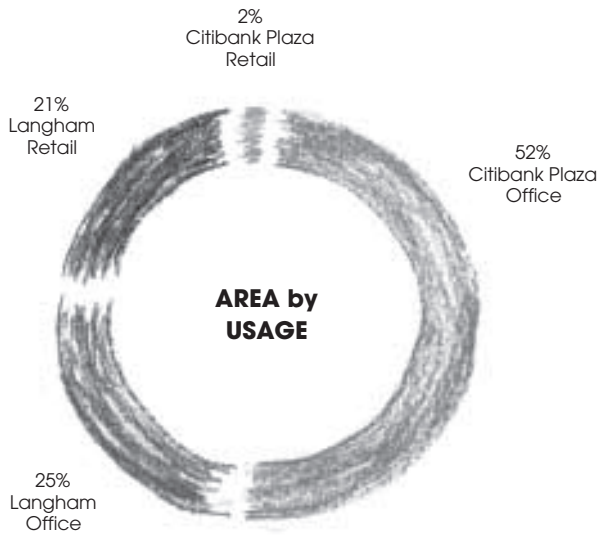
Blood donation events and free exhibition space for fund raising are the typical modes our office properties use to execute their social responsibility. Being a retail property, the Langham Place Mall has a greater flexibility to organize events and campaigns to raise funds or awareness for charitable concerns. The most successful of these is the ongoing Spiral Stars Gallery project, where approximately HK\$400,000 of donations were accumulated for the Make-A-Wish Foundation in 2009 through donation boxes built into the 12 zodiac sculptures of the gallery. This year, Langham Place was selected as a Caring Company by the Hong Kong Council of Social Service for the 3rd year in a row. Recipients of volunteer manpower or venue/material sponsorship from Langham Place in 2009 include the Joyful (Mental Health) Foundation, the Children's Heart Foundation, the Intellectually Disabled Education and Advocacy League, World Vision and the Hong Kong Red Cross.



Field of flowers in starlight
acrylic on fabric

PORTFOLIO

PROPERTIES AT-A-GLANCE



The total **Floor Area** owned by Champion REIT is 2.85 million sq. ft.



Langham Place

The total
Appraised Value
of Champion REIT's
properties is
HK\$44.24 billion.

	Citibank Plaza	Langham Place	Sub-total
Dec 09 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	28,363	5,640	34,003
Retail	327	8,979	9,306
Car Park	270	187	457
Miscellaneous	299	176	475
Total	29,259	14,982	44,241

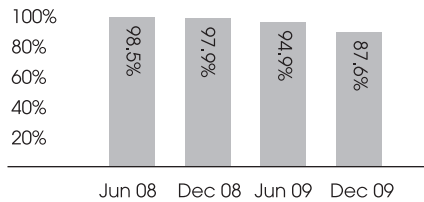
For additional details, please refer to the valuation report section



Citibank Plaza

CITIBANK PLAZA

Occupancy 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. Its address at No. 3 Garden Road is nestled within the traditional banking hub of Hong Kong which also contains the headquarter buildings of all three of Hong Kong's currency issuing banks. 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, capable of 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.

CITIBANK PLAZA BUILDING STATISTICS

ASSESSED VALUE*
HK\$29.26 billion

HEIGHT
205 m

HIGHEST FLOOR
50

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*
59

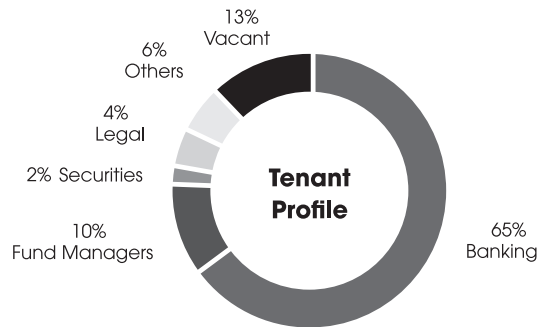
*only Champion Reit's portion

13 perspectives of my office

photos in black and white



CITIBANK PLAZA



KEY AMONG CITIBANK PLAZA'S ATTRIBUTES IS ITS ABILITY TO CONFORM TO THE FORMIDABLE SPECIFICATIONS REQUIRED BY MULTI-NATIONAL FINANCIAL INSTITUTIONS

WITH A GROSS FLOOR AREA OF ALMOST 1.6 MILLION SQ. FT., CITIBANK PLAZA IS ONE OF THE BIGGEST OFFICE COMPLEXES IN HONG KONG

Premium Grade 'A' Specifications

Citibank Plaza is the archetypal modern premium grade 'A' office complex, replete with fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate cabling and flexibility in office configurations, a central computerized control center and a master satellite signal distribution system. Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions, the building's primary target tenants. These include security lift facilities for treasury items, high redundant power supply to floor space ratios, timely emergency power supply and more importantly emergency 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 2009, the infrastructure of the upper ground lobby was refurbished to introduce security turnstiles for each individual lift zone, with access controlled by proximity card sensors. A new information and registration desk and new LCD directories were also added. With the enhanced security system, tenants may now access the office floors directly from the basement car park.

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, upgrades to Citibank Plaza's emergency backup systems were completed in mid 2009. The emergency power capacity available for tenant use has been increased by 70% and the capacity to provide back-up chilled water has been increased by half. Citibank Plaza is now better positioned than ever to compete for top tier banking and financial tenants.

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 21 years in Hong Kong and the People's Republic of China.

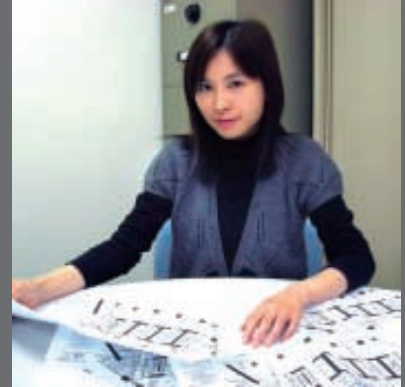
Mr. Tsang holds a Second Honours Degree in Estate Management, Master Degree from University of Warwick and Master Degree in Housing Management from Hong Kong University. He is also a professional member of Australian Institute of Building, Chartered Institute of Building, Association of Building Engineers 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 11 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).

LANGHAM PLACE



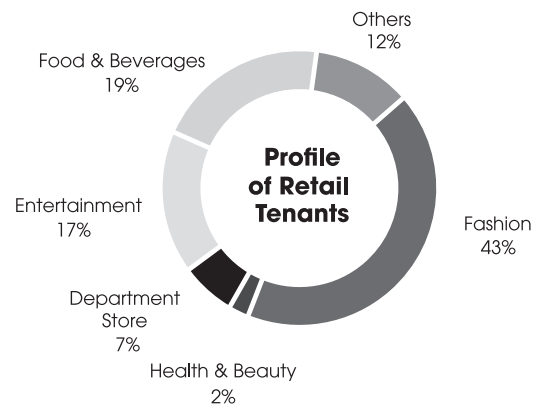
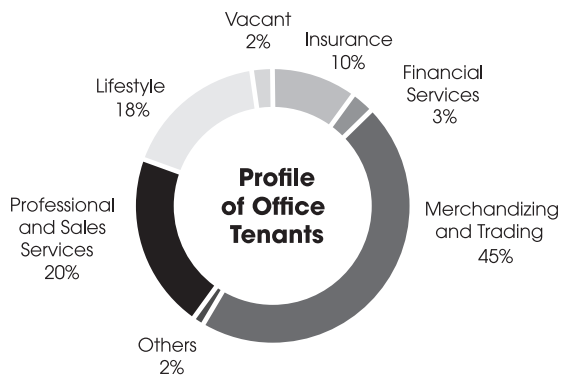
9 moods of Langham Place
inkjet on card



langham place argyle street entrance

COMPLETED IN 2004, LANGHAM PLACE IMMEDIATELY BECAME A DEFINING LANDMARK OF MONGKOK, A PRIME RETAIL AND COMMERCIAL DISTRICT OF KOWLOON

IN 2009, LANGHAM PLACE RECEIVED A BEST SHOPPING CENTER MARKETING CAMPAIGN OF THE YEAR GOLD AWARD FROM THE INTERNATIONAL COUNCIL OF SHOPPING CENTERS



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.

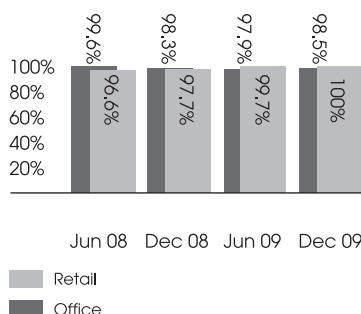
Fashion Mall Redefining Mongkok

The Langham Place Mall has several unique modern architectural and design features. From the surrounding shopping district, its distinctive multi-faceted façade 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. In upper section of the Mall, there is unique Spiral Stars Gallery featuring 12 large horoscope sculptures created by Hideki Kawabata, a renowned aluminium sculptor and illustrator. For its innovative design, the Langham Place Mall has received several awards from parties such as the International Council of Shopping Centers and the Institution of Structural Engineers Awards.

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

Occupancy at Langham Place



Langham Place Mall has been the venue of choice for fan and media events by local and foreign celebrities alike. The mall is also well known for its wide selection of cosmetics and has become increasingly popular with mainland tourists in recent times. Two television series, OL Supreme (女王辦公室) and Under The Canopy of Love (天幕下的戀人) have been filmed in the mall. In 2009, Langham Place received a Best Shopping Center Marketing Campaign of the Year gold award from the International Council of Shopping Centers for its Sports for All Campaign.

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 decentralized office district it attracts tenants from merchandizing and wholesale sectors. The office tower is also home to many retail and service-oriented enterprises because of its location within a busy shopping district and its synergistic connection to the Langham Place Mall.

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

ASSESSED VALUE*
HK\$14.98 billion

YEAR OF COMPLETION
2004

TOTAL FLOOR AREA
1,292,700 sq.ft.

CAR PARK SPACES
250

Office*

HEIGHT
255 m

HIGHEST FLOOR
60

LETTABLE AREA
702,911 sq.ft.

MAXIMUM GROSS FLOORPLATE
17,400 sq.ft.

NO. OF TENANTS
64

Retail

HEIGHT
15 storeys

LETTABLE AREA
319,075 sq.ft.

NO. OF TENANTS
198

*only Champion Reit's portion

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 19 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.



Mr. David Chiu
Assistant General Manager, Building Management

Mr. Chiu is responsible for the overall property management of Langham Place. He has more than more than 21 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.



Ms. Chan Fung Kam, Jean
Senior Leasing Manager

Ms. Chan is responsible for the leasing and tenancy management of Langham Place and has over ten 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 Manager, Marketing

Ms. Au-Yeung is responsible for marketing, promotion and public relations activities of Langham Place. She has over 18 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. 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 16 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 28 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 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.



escalator to retail outlets at citibank plaza (left)

entrance to langham place spiral (right)



Upward Mobility 3 & 4
watercolour on gesso

VALUATION REPORT



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www.knightfrank.com

4 February 2010

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

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

Dear Sirs

Various Portions of Citibank Plaza, 3 Garden Road, Central, Hong Kong ("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 searches and enquiries 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 2009 (referred to as the "Valuation Date") for annual reporting purposes.

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.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts and The HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

VALUATION REPORT

Valuation Methodologies

We have valued the Property on the basis of capitalization of the net income shown on schedules handed to us and, where appropriate, by reference to sales evidence as available on the market. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

In undertaking our valuation of the Property, Income Capitalization and Direct Comparison approaches are adopted. Income Capitalization approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the Property's type of use, building age and condition. In the course of our valuation, we have assumed that no significant capital expenditure by the owner of the Property will be required in the foreseeable future. Apart from Income Capitalization approach, Direct Comparison approach is adopted for cross-referencing purpose.

Income capitalization

The existing net rental income, i.e. rent exclusive of rates, management fees, air-conditioning charges and other tenants' outgoings, of all lettable space of a property, is capitalized in respect of the unexpired term of each contractual tenancy. Upon reversion, i.e. the expiry of the existing tenancy, each of the leased areas is assumed to be let at the market rent as at the Valuation Date this in turn is capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of a property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred. The capitalization rate adopted is made by reference to the yield achieved in analysed market sales of retail space/office spaces and our knowledge of the market. This expected rate of return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like. Our adopted capitalization rate for the retail and office accommodation is 4.7% and 4.0% respectively.

Direct comparison

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

As there were limited en-bloc / bulk transactions for comparison in our valuation, we have also made reference to transactions of strata-titled properties in the vicinity. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Capitalization Approach.

VALUATION REPORT

Limiting Conditions

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, incomes, site and floor areas and all other relevant matters. 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 this valuation letter are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have carried out land search to the Property valued. 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.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, title defects and outgoing of an onerous nature which could affect its value.

We have inspected the exterior and, where available, the interior of Property. 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 from rot, infestation or any other structural defect. No tests were carried out to any of the services.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions 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 Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Alex S L Ng
MRICS MHKIS RPS(GP)
Executive Director

* Mr Alex S L Ng Siu Lam, MRICS, MHKIS, RPS(GP), has been a qualified valuer since 1995 and has about 23 years' experience in the valuation of properties in Hong Kong.

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VALUATION REPORT

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield												
Various Portions in Citibank Plaza, 3 Garden Road, Central, Hong Kong (See Note 1)	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.	The retail portion of the Property was let under seven tenancies for various terms with the latest expiry date in June 2016, 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 were subject to turnover rent. No turnover rent was receivable during the period from January 2009 to October 2009.	HK\$29,258,400,000	3.9%												
1,389,185 / 1,650,000 + 1 undivided parts or shares of and in Inland Lot No 8888.	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:-	The office portion of the Property was let under various tenancies for various terms with the latest expiry date in June 2016, yielding a total monthly rental income of approximately HK\$91.14 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.														
	<table border="1"> <thead> <tr> <th>Use</th> <th>Total Floor Area 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>	Use	Total Floor Area sq m	sq ft	Retail	5,362.41	57,721	Office	139,498.05	1,501,557	Total	144,860.46	1,559,278			
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Retail	3,956.99	42,593														
Office	108,722.50	1,170,289														
Total	112,679.49	1,212,882														
	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.	The occupancy rate of the Property (excluding car parking spaces and miscellaneous areas) was approximately 87.6%.														

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield
	<p>Inland Lot No 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the 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 Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>A total of 500 carparks and 50 motorcycle parking spaces were being operated as a fee-paying public carpark and the remaining 58 carparks were occupied as private carparks and let under various licences. The total average monthly gross income receivable during the period from December 2008 to November 2009 was approximately HK\$942,700 inclusive of rates and management fees.</p> <p>Various spaces for cellular phone systems were let under three licences for various terms with the latest expiry date in July 2012, yielding a total monthly licence fee of approximately HK\$63,000 exclusive of rates and management fees.</p> <p>A satellite phone antenna, various advertising spaces and the naming rights of Citibank Tower and ICBC Tower were let under various licences with the latest expiry date in May 2014, yielding a total monthly licence fee of approximately HK\$1,305,000 exclusive of rates and management fees.</p>		

VALUATION REPORT

Notes :

(1) The Property comprises the following portions:-

Office & Health Club (ICBC Tower)	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).
Office (Citibank Tower)	Various portions of Citibank Tower including portion on 3rd Floor, 7th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors, 25th to 30th Floors, Portions A and B on 31st Floor, 32nd to 34th Floors, 36th to 39th Floors, Portions A and B on 40th Floor and 41st to 50th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).
Retail Shop	Restaurant and Shops 1 to 5 on Lower Ground Floor of the development.
Car Parking Space	Private car parking space nos. 5 to 33, 39 to 51, 118 to 131 and 166 to 167 on Basement 2 and public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the development.

(2) The registered owners of the respective portions of the Property are set out below:-

Registered Owner	Portion of the Property
Shine Hill Development Limited	<p>Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).</p> <p>Various portions of Citibank Tower, including portion on 3rd Floor, 7th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 28th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).</p> <p>Restaurant and Shops 1 to 4 on Lower Ground Floor of the development.</p> <p>Private car parking space nos. 5 to 20, 26 to 33, 45 to 51, 121 to 122 and 166 and 167 on Basement 2 and public carpark comprising 500 private car parking spaces and 50 motor cycle parking spaces within the development.</p> <p>All those Reserved Areas as defined in the Deed of Mutual Covenant and Management Agreement in respect of Citibank Plaza registered in the Land Registry by Memorial No. UB5511011 (being those parts of the buildings (not specifically assigned for the exclusive use of any Owner and not being part of the common areas) reserved for the exclusive use and occupation of Shine Hill (including without limitation to the generality of the foregoing, the Main Roofs, the flat roof, the External Walls, the loading/unloading areas on the First Basement and three (3) flag poles at or above Level +14.668 facing the transverse road).</p>
Maple Court Limited	<p>29th to 30th Floors and Portion B on 31st Floor of Citibank Tower</p> <p>Private car parking space nos. 21 to 22 on Basement 2 of the development.</p>
Panhy Limited	<p>Portion A on 31st Floor and 32nd to 33rd Floors of Citibank Tower.</p> <p>Private car parking space nos. 42 to 44 on Basement 2 of the development.</p>
Well Charm Development Limited	38th Floor of Citibank Tower.
CP (Portion A) Limited	<p>Portion A on 40th Floor, 41st to 50th Floors of Citibank Tower.</p> <p>Shop 5 on Lower Ground Floor of the development.</p> <p>Private car parking space nos. 118 to 120 and 123 to 131 on Basement 2 of the development.</p>
CP (Portion B) Limited	<p>39th Floor and Portion B on 40th Floor of Citibank Tower.</p> <p>Private parking space nos. 23 to 25 on Basement 2 of the development.</p>
Elegant Wealth Limited	<p>34th, 36th and 37th Floors of Citibank Tower.</p> <p>Private parking space nos. 39 to 41 on Basement 2 of the development.</p>

VALUATION REPORT

- (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 notional breakdown of our valuation in respect of different portions of the property is set out below:-

Use	Market Value as at 31 December 2009
Retail	HK\$327,000,000
Office	HK\$28,363,000,000
Carpark	HK\$269,800,000
Miscellaneous	HK\$298,600,000
Total	HK\$29,258,400,000

- (14) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile as at 31 December 2009 (excluding car parking spaces and miscellaneous areas) is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	1,062,644	87.6
Vacant	150,238	12.4
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	32.1	28,125,892	30.4	7	7.9
2005	59,370	5.6	6,012,067	6.5	4	4.5
2006	57,703	5.4	4,212,417	4.6	4	4.5
2007	200,149	18.9	16,085,445	17.4	27	30.3
2008	342,500	32.2	32,293,758	35.0	34	38.2
2009	62,031	5.8	5,658,749	6.1	13	14.6
Total	1,062,644	100	92,388,328	100	89	100

VALUATION REPORT

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2009	921	0.1	99,468	0.1	1	1.1
2010	220,588	20.8	15,168,658	16.4	29	32.6
2011	351,684	33.1	34,699,972	37.6	26	29.2
2012	85,053	8.0	8,111,518	8.8	16	18.0
2013	50,857	4.8	4,757,250	5.1	5	5.6
2014	118,086	11.1	10,229,476	11.1	5	5.6
2016	235,455	22.1	19,321,986	20.9	7	7.9
Total	1,062,644	100	92,388,328	100	89	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	2,709	0.3	222,328	0.2	1	1.1
2	83,450	7.9	5,787,832	6.3	17	19.1
3	417,106	39.3	38,326,484	41.5	37	41.6
4	58,825	5.5	4,336,398	4.7	9	10.1
5	71,233	6.7	6,713,918	7.3	9	10.1
6	45,052	4.2	4,863,409	5.3	4	4.5
8	41,053	3.9	3,817,929	4.1	2	2.2
9	2,325	0.2	194,138	0.2	1	1.1
10	105,436	9.9	8,803,906	9.5	2	2.3
12	235,455	22.1	19,321,986	20.9	7	7.9
Total	1,062,644	100	92,388,328	100	89	100

VALUATION REPORT

Office Market Overview

Stock

According to the Rating and Valuation Department, there was around 17,066,000 sq ft of Grade-A office space in Central in 2008 and remained the same for 2009 as there were no new completions. It accounted for 33.8% of the total Grade-A office stock over the entire of Hong Kong.

Supply

There will be four Grade A office buildings scheduled for completion in Central in the coming two years. By 2010, the redevelopments of Dragon Seed Building and Luk Hoi Tong Building will provide around 224,000 sq ft of space whilst by 2011, the redevelopments of Ritz Carlton Hotel and Crocodile House will provide another 302,000 sq ft of space. Grade-A office stock in Central by 2011 will amount to about 17,592,000 sq ft, accounting for 31.0% of the total Grade- A stock in the entire of Hong Kong.

Vacancy

Vacancy rate of Central Grade-A office hovered at an extremely low levels of around 1% in the last quarter of 2007 until August 2008 where the global economic downturn took impact. In the following ten months, corporate downsizing and relocations out of Central had gradually pushed the rate up to 3.9%. It then started to edge down in July 2009 following a recovery in office leasing, returned to a vacancy level of 3.4% by November 2009.

Rental Trends

Grade-A office rentals in Central had experienced a five-year up-trend since recovering from the 2003 SARS outbreak. It however began to decline in 3Q 2008 as a result of the global financial tsunami. It had dropped for 13 months in a row between the Augusts of 2008 and 2009, losing around 47.1% compared with the peak in July 2008. Yet, it began to rebound in September 2009 and by November, noted a rise of 6.6% from the bottom, but then it is still 43.6% lower than the 2008 peak.

Price Trends

Prices of Central Grade A strata-titled offices had reached its peak in May 2008 which then began to drop for nine months following shrinkage in transaction volumes as a result of the global financial crisis. It plunged 49.3% and reached the bottom in February 2009. With improved buying sentiment, prices had surged a total of 56.9% by November 2009, though was still 20.4% lower than the 2008 peak.

Outlook

The local economy has shown further signs of recovery. Office demand is recovering steadily as a result of the revival of financial institutions and come back of financial activities including the initial public offerings (IPOs) that serve to stimulate the demand of office leasing in the CBD. Central is anticipated to make a lead in rental recovery having regard to its low vacancy rate and limited supply of quality offices. Though Grade-A office rents are anticipated to rise in 2010, Grade-A office sales may continue to consolidate and sales activity is expected to be slow in the coming few months.

VALUATION REPORT



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4 February 2010

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

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

Dear Sirs

(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 2009 (referred to as the "Valuation Date") for annual reporting purposes.

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Direct comparison

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

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No allowance has been made in our report for any charge, mortgage or amount owing on the Property. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, title defects and outgoings of an onerous nature which could affect its value.

VALUATION REPORT

We have inspected the exterior and, where available, the interior of Property. 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 from rot, infestation or any other structural defect. No tests were carried out to any of the services.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions 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 Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully

For and on behalf of
Knight Frank Petty Limited

Alex SL Ng
MRICS MHKIS RPS(GP)
Executive Director

* Mr Alex S L Ng Siu Lam, MRICS, MHKIS, RPS(GP), has been a qualified valuer since 1995 and has about 23 years' experience in the valuation of properties in Hong Kong.

Enc

VALUATION REPORT

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	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 / 1,963,066 ± 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 was let under various tenancies mostly for terms of three years with the latest expiry date in March 2016 yielding a total monthly rental of approximately HK\$19.33 million exclusive of rates, management fees and air-conditioning charges. 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 was let under various tenancies mostly for terms of three years with the latest expiry date in August 2014 yielding a total monthly basic rent of approximately HK\$28.12 million exclusive of rates, management fees and air-conditioning charge. Most of the tenancies are subject to turnover rent. The average monthly turnover rent receivable during the period from January 2009 to November 2009 was about HK\$1,802,000.</p> <p>The occupancy rates of the office and retail portions were approximately 98.50% and 99.98% respectively.</p>	HK\$14,982,400,000	4.3%

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield
	<p>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 29,654.96 sq m (319,206 sq ft).</p> <p>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.</p> <p>Kowloon Inland Lot No 11099 is held from the Government under Conditions of Exchange No UB12557 for a term from 18 February 2000 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>The carpark was operated as a fee-paying public carpark let on a monthly and hourly basis. The average monthly gross income receivable during the period from January 2009 to November 2009 was approximately HK\$1,355,000.</p> <p>Naming right of the Property was licensed to The Great Eagle Company Limited for a term of 3 years from 1 January 2008 at a monthly licence fee of HK\$2,166,667 and renewable for a further term of 3 years.</p> <p>Miscellaneous comprises lightboxes, signage spaces, loading areas and other miscellaneous income were let under various licences with the latest expiry in March 2013 yielding a total monthly licence fee of approximately HK\$865,000.</p>		

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 "Land Development Corporation Development Scheme Plan Area " under Mong Kok Outline Zoning Plan.

VALUATION REPORT

(6) The notional breakdown of our valuation in respect of different portion of the property is set out below:

Use	Market Value as at 31 December 2009
Retail	HK\$8,979,000,000
Office	HK\$5,640,200,000
Carpark	HK\$187,500,000
Miscellaneous	HK\$175,700,000
Total	HK\$14,982,400,000

(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 2009 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	692,354	98.5
Vacant	10,557	1.5
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	2.6	438,430	2.2	1	1.5
2006	52,194	7.5	1,409,238	7.3	2	3.1
2007	270,973	39.1	8,069,753	41.8	19	29.2
2008	315,192	45.5	8,306,174	43.0	38	58.5
2009	36,597	5.3	1,102,733	5.7	5	7.7
Total	692,354	100	19,326,328	100	65	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2010	142,350	20.6	3,897,933	20.2	22	33.8
2011	258,589	37.3	6,726,601	34.8	25	38.5
2012	47,714	6.9	1,394,192	7.2	10	15.4
2013	174,109	25.1	5,553,884	28.7	6	9.2
2016	69,592	10.1	1,753,718	9.1	2	3.1
Total	692,354	100	19,326,328	100	65	100

VALUATION REPORT

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	21,801	3.1	667,255	3.4	2	3.1
2	34,980	5.1	920,574	4.8	8	12.3
3	313,474	45.3	8,173,896	42.3	37	57.0
4	3,208	0.5	79,374	0.4	2	3.1
5	95,067	13.7	3,037,582	15.7	11	16.9
6	154,232	22.3	4,693,930	24.3	3	4.6
9	34,796	5.0	883,818	4.6	1	1.5
10	34,796	5.0	869,900	4.5	1	1.5
Total	692,354	100	19,326,328	100	65	100

- (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 miscellaneous premises) as at 31 December 2009 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	319,152	99.98
Vacant	54	0.02
Total	319,206	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	25.0	3,469,659	12.3	5	2.4
2007	117,928	37.0	11,722,468	41.7	65	31.6
2008	60,886	19.1	7,303,429	26.0	79	38.3
2009	60,437	18.9	5,621,535	20.0	57	27.7
Total	319,152	100	28,117,091	100	206	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
2010	139,566	43.8	15,245,739	54.2	113	54.9
2011	48,595	15.2	5,448,753	19.4	49	23.8
2012	61,395	19.2	5,290,964	18.8	35	16.9
2013	17,841	5.6	1,156,885	4.1	7	3.4
2014	51,755	16.2	974,750	3.5	2	1.0
Total	319,152	100	28,117,091	100	206	100

VALUATION REPORT

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
1	6,218	1.9	434,770	1.5	4	1.9
2	29,727	9.3	3,918,235	14.0	68	33.0
3	147,647	46.3	16,930,171	60.2	114	55.3
4	15,672	4.9	574,016	2.0	6	2.9
5	24,497	7.7	1,821,435	6.5	3	1.5
6	50,651	15.9	3,814,464	13.6	10	4.9
10	44,740	14.0	624,000	2.2	1	0.5
Total	319,152	100	28,117,091	100	206	100

VALUATION REPORT

Office Market Overview

Stock

According to the Rating and Valuation Department, there was around 23,279,000 sq ft of Grade-A office space in Kowloon in 2008. And in 2009, another 1,646,000 sq ft was completed. It brought the total stock in Kowloon to 24,925,000 sq ft, accounting for 49.3% of the total stock in the entire of Hong Kong by the end of 2009. Most of the Grade-A offices in Kowloon (37.9%) were concentrated in Tsim Sha Tsui.

Mongkok is a traditional mass residential and commercial area and most of the buildings are relatively old. It had no Grade-A office building until 1997 when the 353,000 sq ft Grand Century Place was completed and in 2004, the 497,000-sq-ft Langham Place Office Tower was also completed. In 2009, Mongkok had a total Grade-A office stock of 849,000 sq ft, representing only 3.4% of the total stock in Kowloon or 1.7% of the entire Hong Kong.

Supply

As the land supply of Grade A office is limited on Hong Kong Island, developers simply explore into Kowloon and turns out an abundant supply. Five new Grade-A office buildings were completed in Kowloon in 2009, producing a total of 1,646,000 sq ft that comprised 680,000 sq ft in Kwun Tong, 486,000 sq ft in Kowloon Bay and 480,000 in Tsim Sha Tsui.

Another 1,062,000 sq ft of new Grade-A offices will be completed in Kowloon by 2010, comprising 800,000 sq ft in Tsim Sha Tsui and 262,000 sq ft in Kowloon Bay. In 2011, another 2,355,000 sq ft of new office space in Kowloon will be turned out, slightly double that of 2010. 72.7% or 1,712,000 sq ft of which will be in Kwun Tong and covered by five office buildings, whilst the balance would be all in Cheung Sha Wan, Hung Hom and Kowloon Bay.

There is no planned Grade-A office project in Mongkok in the foreseeable future, an absence of new supply since 2005.

Vacancy

Vacancy rates of Grade-A offices in Tsim Sha Tsui reached the historical low at around 2% in July 2008, immediately before the global economic downturn took place in August 2008. The level of vacancy had persisted to rise in the following months, gradually touching 6.0% by November 2009 due to the substantial relocation of companies to Kowloon East attracted by the low rent and new completions.

Rental Trends

After reaching the peak in August 2008, Grade-A office rentals in Kowloon started to decline amid the financial turmoil. The downtrend had lasted for 12 months, noted a drop of 35.1% by August 2009. The rent however made a come back since September 2009, gaining 4.6% in the three months to November 2009. The magnitude of rental drop in Kowloon was milder than Central, partly because Kowloon has fewer tenants from the financial industry, which was the hardest hit in the financial crisis.

Price Trends

Grade A office sales in Kowloon has always been focused in Tsim Sha Tsui where strata-titled transactions are considerable. After reaching the peak in March 2008, office price began an 11-month downtrend with shrinking activities. It plunged by 42.6%, reached the bottom in February 2009 and began to pick up, with a surge of 56.2% by November 2009, to a level of only 10.3% lower than the 2008 peak.

VALUATION REPORT

Outlook

As the global economy has gradually recovered, business activity in the region will gather pace in the months ahead. However, abundant supply in Kowloon is expected to curb rental growth in the area. As a number of new Grade-A office buildings are scheduled for completion and some industrial areas are undergoing transformation into business areas, vacancy rates in Kowloon are set to increase. Districts with abundant new office buildings may lure tenants away from other business districts. However, Tsim Sha Tsui, as a well-established business district in Kowloon, would be more resilient with occupancy and rents likely to edge up despite abundant supply in other parts of Kowloon.

Mongkok is a unique business district where office tenants are companies requiring a very convenient location, such as customer service centres, medical centres and back offices of retailers. Demand for Mongkok Grade-A offices is relatively stable with relatively small fluctuations even during market upturns and downturns. In the absence of new supply but steady demand, together with an anticipated further recovery in the economy, occupancy levels and rents in Mongkok are expected to record a slight increment in the coming few years.

Retail Market Overview

Stock

Yau Tsim Mong is renowned for retail and entertainment attracting many tourists and even locals. A variety of large shopping centres are located within this area which include Harbour City, Langham Place, the newly opened iSquare and K11, etc. At the end of 2008, total private commercial stock over the territory equated to approximately 114 million sq ft. As a breakdown of the total stock, 41%, 30% and 29% of the stock was located in Kowloon, Hong Kong Island and New Territories respectively.

Mongkok is a local retail hub famously characterized by local retailers with a vast mix of local trades. It is popular amongst the youth of Hong Kong as well as catering for the foreign tourist. Scaled shopping malls in Mongkok include Langham Place and Grand Century Place.

Supply

Completions in 2008 were approximately 530,000 sq ft with most of them in Kowloon. Sham Shui Po, Kwun Tong and Yau Tsim Mong collectively represented 40% of the new supply. In 2009 completions almost double from that of 2008 to just over 1.0 million sq ft and in 2010 completions are forecasted to slightly reduce to 970,000 sq ft. Around 73% of the new completions in 2009 were in Kowloon, particularly in Tsim Sha Tsui, the remainder spread between Hong Kong Island and the New Territories. In 2010, Kowloon will continue to contribute the bulk of space completions at about 64% and the New Territories will account for about 33%.

New projects in Tsim Sha Tsui include iSquare with an area of approximately 580,000 sq ft, K11 with approximately 323,000 sq ft and the 130,000 sq ft 1881 Heritage shopping centre. Meanwhile, The One, which will provide over 400,000 sq ft of retailing and leisure accommodation, is scheduled to open in mid 2010. Competition amongst landlords for tenants in Tsim Sha Tsui is currently high due to the location factor, as it will prove crucial in gaining an advantage over rivals. However no significant new supply is forecasted for Central, Causeway Bay or Mongkok area.

Take-Up and Vacancy

A negative take-up of just over 420,000 sq ft was recorded in 2008. Take-up in newly completed space was low, thus leading to an increase in year-end vacancy to approximately 10 million sq ft, or 8.7% of total stock.

VALUATION REPORT

Rental Trend

Average retail rents in Kowloon were increasing in the second half of 2009, there was an increase of about 39% from July 2009 (HK\$971 per sq ft per month) to November 2009 (HK\$1,351 per sq ft per month), as detailed by figures for January to November 2009 of which June to November are provisional figures in the Hong Kong Property Review Monthly Supplement dated January 2010. Although an increasing number of factors indicate that the economy is now stabilising, tenants remain cost conscious and conservative. However, with the growth in Mainland Chinese visitors, having increased 22.8% year on year to just under 1,690,000 in October 2009, some retailers have taken the opportunity to expand their premises and market share. Such an example would be Broadway who continued to expand, and in October 2009 leased a 25,000 sq ft store on Argyle Street, Mongkok.

Price Trend

The influx of Mainland visitors has changed the landscape of the retail market in Hong Kong. Retail prices increased in response to retail rents to reflect the optimistic outlook of investors given the implications of this demand driver for the business growth of retailers. Throughout 2009 private retail prices have continually increased as detailed by figures for January (i.e. 162.5) to November (i.e. 213.0) 2009 of which June to November are provisional figures in the Hong Kong Property Review Monthly Supplement dated January 2010. The price index for November 2009 indicated that prices were 23.5% higher compared to November 2008.

Outlook

A number of international retailers have entered Hong Kong this year, taking advantage of the territory's strategic position as a stepping-stone to the vast China market. In Q4 2009, the retail property market has slowed with a drop in transaction volume in several districts, as investors have adopted a wait and see attitude after experiencing rapid growth in the previous months. Although there has been a drop in transaction volume, the market sentiment remains strong, as investors are attracted to the retail sector after the government announced to contract mortgage ratio on luxury properties.

The global economy has shown signs of revival. To sustain the recovery, which will be fragile during the early stages, central banks around the world are keeping interest rates at low levels. This will inevitably stimulate local asset inflation, including retail property prices. Meanwhile, shop rents are expected to rise quicker than the business volume of many retailers, as landlords have started to raise rents when leases are expiring in the forthcoming quarters. Profit margins of retailers, therefore, are expected to be under pressure.

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 2009.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 22 February 2010

CORPORATE GOVERNANCE REPORT

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. A revised version of the Compliance Manual of the REIT Manager for use in relation to the management of Champion REIT adopted as of 30 June 2009 has been approved by the Securities and Future Commission ("SFC").

Various amendments made to the Listing Rules became effective during the first half of 2009 (the "Revised Listing Rules"). To the extent appropriate and practicable, the REIT Manager has complied with the enhanced corporate governance practices and disclosure requirements under the Revised Listing Rules, with necessary changes, as if they were applicable to the Trust.

At the Extraordinary General Meeting of the Unitholders of Champion REIT held on 9 March 2009, the special resolutions to make certain amendments to the Trust Deed constituting Champion REIT and to modify the Distribution Policy such that the Trust will distribute to Unitholders an amount not less than 90% of Champion REIT's Annual Distributable Income for each financial year were approved. Details of the amendments and the modification are set out in the circular to Unitholders of Champion REIT dated 13 February 2009.

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 throughout the year ended 31 December 2009.

AUTHORISATION STRUCTURE AND GOVERNANCE STRUCTURE

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the 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, a Second Supplemental Deed dated 4 February 2008 and a Third Supplemental Deed dated 9 March 2009 respectively.

CORPORATE GOVERNANCE REPORT

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 8 members, 3 of whom are Independent Non-executive Directors.

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 14 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 provided a written annual confirmation of independence to the REIT Manager.

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 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.

CORPORATE GOVERNANCE REPORT

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 principal responsibilities are as follows:

- (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 Rule;
- (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 re-appointment as Directors to, and persons for removal as Directors from, the full Board.

The Audit Committee comprises 2 Independent Non-executive Directors (namely, Mr. Eldon David Gordon and Mr. Shek Lai Him, Abraham) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Eldon David Gordon is the Chairman of the Audit Committee. The members of the Audit Committee are appointed by the Board of Directors from among the Non-executive Directors of the REIT Manager and a majority of the members of the Audit Committee are required to be Independent Non-executive Directors.

Pursuant to the waiver from strict compliance with the requirement under Clause 9.13 of the REIT Code granted by the SFC, the Audit Committee of the REIT Manager confirmed that the roadshow and public relations-related expenses ("PR Expenses") were 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 Clause 2.4.13 of the Trust Deed.

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. It comprises a Non-executive Director (namely, Dr. Lo Ka Shui), an independent Non-executive Director (namely, Mr. Shek Lai Him, Abraham) and an Executive Director (namely, Mr. Lee Ching Ming, Adrian). Mr. Lee is the Chairman of the Disclosures Committee.

The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete. The Disclosures Committee's responsibilities 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;

CORPORATE GOVERNANCE REPORT

- (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.

The attendance of individual Directors and committee members in 2009 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	2	2
Non-executive Directors			
Lo Ka Shui (Chairman)	4/4	2/2	2/2
Cheng Wai Chee, Christopher	3/4	—	—
Ho Shut Kan	4/4	—	—
Lo Kai Shui	3/4	—	—
Executive Directors			
Lee Ching Ming, Adrian (Chief Executive Officer)	4/4	2/2	2/2
Independent Non-executive Directors			
Cha Mou Sing, Payson	2/4	—	—
Eldon David Gordon	4/4	2/2	—
Shek Lai Him, Abraham	4/4	2/2	2/2
Attendance Rate	87.5%	100%	100%

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 2009:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	—	—	13
Leasing	3	11	—
Marketing and promotion	—	9	—
Property management	54	133	—
Contractors/technical staff	130	280	—
Total	187	433	13

CORPORATE GOVERNANCE REPORT

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 review 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.

CONFLICTS OF INTEREST AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED

The REIT Manager, the Property Manager, Longworth Management Limited (the "Longworth"), 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 the development, management and investment in the office, retail, residential and hotel properties in Hong Kong. It also invests in office properties in the United States, and invests in and manages hotels in North America, Europe, Australia, New Zealand and Mainland China.

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 and Operations Manual which set 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 requirements set out in the REIT Code, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Champion REIT.

CORPORATE GOVERNANCE REPORT

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 180 full time staff exclusively dedicated to carrying out property management services in respect of Citibank Plaza and Langham Place with a separate office location and IT system.

With respect to leasing and marketing functions, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT because the Property Manager provides property management services (including leasing and marketing functions) in respect of Citibank Plaza 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.

In July 2008, the Stock Exchange announced certain amendments to the Listing Rules to, among others, shorten the current deadlines for the release of annual results announcements by one month for all listed issuers. According to the circular issued by the SFC in respect of the clarification on the application of various Listing Rules amendments to SFC-authorized REITs dated 16 March 2009, the REIT Manager is expected to comply with the accelerated reporting deadlines for annual results announcements covering annual accounting periods ending on or after 31 December 2010.

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. During the year, the fees payable to the auditor of Champion REIT amounted to HK\$2,700,000 for audit and audit related services, and HK\$890,000 for non-audit services respectively.

CORPORATE GOVERNANCE REPORT

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) authorise any person to act as its representative at any meeting of Unitholders. A person so authorised 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 REIT Code, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. 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") and was modified in 2009 for reasons as stated in the following paragraphs.

CORPORATE GOVERNANCE REPORT

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.

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;

CORPORATE GOVERNANCE REPORT

- (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 Clause 7.1.6 under the Trust Deed, to the extent that such new Units are covered by the aggregate number of new Units contemplated under Clause 7.1.6(i)(b) of the Trust Deed at the Relevant Date applicable to the relevant Convertible Instruments;
 - (2) such number of new Units issued or issuable pursuant to any such Convertible Instruments as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;
 - (3) any new Units issued in that Financial Year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under Clause 7.1.6(i)(a) of the Trust Deed (whether in that or any prior Financial Year) at the Relevant Date applicable to that agreement;
 - (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 under the Trust Deed;
 - (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 under the Trust Deed;

PLUS

- (b) (1) the maximum number of new Units issuable at the Initial Issue Price (as defined in Clause 7.2.2 under the Trust Deed) pursuant to any Convertible Instruments issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and whose Relevant Date falls within that Financial Year; and

CORPORATE GOVERNANCE REPORT

- (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 subdivision 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 under the Trust Deed; 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 of the Trust Deed 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 under the Trust Deed.

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.

CORPORATE GOVERNANCE REPORT

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 2009. 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 2009 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 (the "Governing Code") governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standards set out in the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this Governing Code, any Directors 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 unauthorised 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 Directors 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.

With regard to the blackout period requirement, 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.

CORPORATE GOVERNANCE REPORT

The REIT Manager has adopted the new blackout period requirement 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, 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.

ISSUE OF NEW UNITS

As at 31 December 2009, the total number of Units of Champion REIT was 4,823,534,789. As compared with the position of 31 December 2008, a total of 388,936,970 new Units were issued during the year in the following manner:

- On 13 October 2009, 156,813,683 new Units were issued at the price of HK\$2.7569 per Unit pursuant to the distribution reinvestment arrangement in respect of the 2009 Interim Distribution. Details of which were set out in the announcement published by Champion REIT on 4 September 2009 and the circular to Unitholders dated 10 September 2009 respectively.
- On 21 August 2009, 36,199,068 new Units were issued to the REIT Manager at the price of HK\$2.906 per Unit (being the Market Price ascribed in the Trust Deed constituting Champion REIT) as payment in full of the manager's fee of approximately HK\$105,194,000 payable by Champion REIT for the six months ended 30 June 2009.
- On 27 May 2009, 144,816,938 new Units were issued at the price of HK\$1.7708 per Unit pursuant to the distribution reinvestment arrangement in respect of the 2008 Final Distribution. Details of which were set out in the announcement published by Champion REIT on 27 April 2009 and the circular to Unitholders dated 30 April 2009 respectively.
- On 3 April 2009, 51,107,281 new Units were issued to the REIT Manager at the price of HK\$1.92 per Unit (being the Market Price ascribed in the Trust Deed constituting Champion REIT) as payment in full of the manager's fee of approximately HK\$98,126,000 payable by Champion REIT for the six months ended 31 December 2008.

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.

In May 2009, Champion REIT repurchased HK\$20 million of the convertible bonds issued in year 2008 (the "2008 Convertible Bonds") at a price range of 90 to 93 per cent of their principal amounts. The 2008 Convertible Bonds are listed on the Stock Exchange. The repurchased convertible bonds were cancelled on 24 June 2009.

Save as disclosed above, there was no repurchase, sale or redemption of the securities by Champion REIT or its wholly owned and controlled entities during the year ended 31 December 2009.

CORPORATE GOVERNANCE REPORT

REAL ESTATE SALE AND PURCHASE

No real estate sales and purchases was entered into during the year ended 31 December 2009.

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 2009 the Trust has maintained a sufficient public float with more than 25% of the issued and outstanding Units of Champion REIT being held by the public.

REVIEW OF ANNUAL REPORT

The annual report of Champion REIT for the year ended 31 December 2009 have been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2009. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2009 have been audited by the Independent Auditor, Messrs. Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of the Champion REIT for the year ended 31 December 2009 is set out in the Independent Auditor's Report.

CONNECTED PARTY TRANSACTIONS

CONNECTED PARTY TRANSACTION REPORT

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 2009 ("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.

The following connected party transactions are subject to annual limits of the waiver from strict compliance with the requirements under Chapter 8 of the REIT Code:-

Connected Party Transactions subject to Waiver - Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	394,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	2,914,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	9,626,000 ³
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	3,996,000 ⁵
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	1,778,000 ⁷
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁸	6,600,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁹ and car parking fee	3,636,000 ¹⁰
Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction ¹¹ and car parking fee	3,004,000 ¹²
China Mobile Hong Kong Company Limited	Associate of a Director ¹³	Licence fee ¹⁴	223,000
Total			32,171,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions subject to Waiver – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	326,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	1,398,000 ¹⁵
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income ⁴	542,000 ¹⁶
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Building management fee income ⁶	204,000 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	434,000 ¹⁸
Toptech Co. Limited	Subsidiary of Great Eagle	Building management fee income ¹¹	502,000 ¹⁹
Total			6,850,000

Connected Party Transactions subject to Waiver – 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	226,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	940,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	928,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee expense	57,938,000 ²⁰
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	7,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Marketing expense	51,000
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	Subsidiary of Great Eagle	Marketing expense	28,000
Total			60,118,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions subject to Waiver - Insurance Agency Arrangement (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expense for the Year HK\$
The Great Eagle Insurance Agency Limited	Subsidiary of Great Eagle	Insurance agency services	921,000
Total			921,000

Notes

- 1 A security deposit by way of a bank guarantee of approximately HK\$837,000 and a damage deposit of HK\$10,000 provided by Eagle Property Management (CP) Limited were 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 were 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 were 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 provided by Main St. Cafe Hong Kong Company Limited was held by the Trust as at the Year end date.
- 7 These rental incomes were 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\$887,000 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\$3,636,000, an amount of approximately HK\$1,646,000 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 were derived from a Pre-Existing Agreement with Toptech Co. Limited.
- 13 China Mobile Hong Kong Company Limited (formerly known as China Mobile Peoples Telephone Company Limited) is an associate of Dr. Lo Ka Shui (director 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 Hong Kong Company Limited.
- 14 A security deposit of approximately HK\$37,000 provided by China Mobile Hong Kong 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 Pre-Existing Agreement with Langham Place Hotel (HK) Limited.
- 17 These building management fee incomes were derived from a Pre-Existing Agreement with Main St. Cafe Hong Kong Company Limited.
- 18 Out of this HK\$434,000, an amount of approximately HK\$291,000 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 Pre-Existing Agreement with Toptech Co. Limited.
- 20 Out of this HK\$57,938,000, approximately HK\$56,277,000 represented the amount of reimbursement paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,661,000 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 2009; 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 Transaction	Income/ Expenses for the Year HK\$
Tenancy Agreements	Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	11,024,000
Tenancy Agreement	Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	4,538,000
Tenancy Agreement	Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	1,982,000
Tenancy Agreement	The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income (for the Suites Nos. 08-11 on Level 16 of Langham Place Office Tower)	1,937,000
Tenancy Agreement	Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction, building management fee and car parking fee income	3,507,000
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 expense	56,277,000
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 estate management expense	1,661,000

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 Transaction	Income/ 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	1,693,000
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	30,621,000
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	Nil
Naming Right Licence Agreement in relation to the use of Langham Place	The Great Eagle Company, Limited	Subsidiary of Great Eagle	Licence fee income	26,000,000
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services	64,151,000
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	91,269,000

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.

CONNECTED PARTY TRANSACTIONS

OTHER CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

REIT Manager's fee

Eagle Asset Management (CP) Limited, a wholly owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee approximately HK\$205,107,000 for such services rendered during the Year was settled by the issuance of new Units pursuant to the Trust Deed. Further details of the REIT Manager's fee are set out in note 10 to the consolidated financial statement on page 116 in this Report.

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 Year.

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

HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Champion REIT).

Connected Party Transactions - Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income / Expenses for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	528,000
HSBC Group	Trustee Connected Persons	Bank charge	61,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest/expense	114,592,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions - Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	52,094,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income ²	4,028,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction ²	299,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	48,000
Total			56,469,000

Notes

- 1 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 2009); and (ii) HK\$2,954 million (of which HK\$2,454 million term loan was outstanding as at 31 December 2009). Syndicates of lenders of both facilities include Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited.
- 2 Security and damage deposits in an aggregate amount of approximately HK\$10,381,000 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 with any member of HSBC Group 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	38,198,000
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	6,605,000
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 Subject to an option to renew for 3 years at open market rent	7,291,000

Connected Party Transactions - Corporate Finance Transaction with HSBC Group

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\$7,668,000 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

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

Knight Frank Petty Limited ("Knight Frank"), replacing Savills Valuation and Professional Services Limited ("Savills") was appointed as the principal valuer of Champion REIT with effect from 1 June 2009. During the Year, an amount of approximately HK\$3,000 was paid to Savills and another amount of HK\$325,000 was paid to Knight Frank, for the valuation fees, in their 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 AUDITOR 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 auditor 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 expense, marketing expense, and insurance agency services fee expense of the Group, and also ordinary banking and financial services income and expense for the year ended 31 December 2009) 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 auditor has performed these procedures and reported to the Board of the REIT Manager their factual findings.

DISCLOSURE OF INTERESTS

UNITHOLDINGS OF CONNECTED PERSONS

As at 31 December 2009, 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 ⁸
Top Domain International Limited	1,420,416,628 ¹	29.45
Keen Flow Investments Limited	882,580,105 ¹	18.30
Bright Form Investments Limited	610,966,057 ^{1,6}	12.67
Eagle Asset Management (CP) Limited	136,832,299 ^{1,2}	2.84
Fine Noble Limited	14,578,503 ¹	0.30
Great Eagle Nichemusic Limited	1,129,743 ¹	0.02
Lee Ching Ming, Adrian	70,609 ³	0.001
Fortune Mega Investments Limited	163,936,151 ⁴	3.40
Wing Tai Corporation Limited	73,240,529 ⁵	1.52
HSBC Group	1,184,945 ⁷	0.02

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") as the trustee of a discretionary trust held 33.10% interest in the capital of Great Eagle. Certain directors of Great Eagle including Dr. Lo Ka Shui and Mr. Lo Kai Shui (who are also directors of the REIT Manager), 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 are among the beneficiaries of the discretionary trust. In addition, Dr. Lo Ka Shui in his own capacity and as the founder of another discretionary trust held 11.83% interest in the capital of Great Eagle.

Changes in Unitholdings of these companies during the six months ended 31 December 2009 are set out in the following table:

Name	Units held as at 30 June 2009	Change in Unitholdings
Top Domain International Limited	1,356,265,924	+64,150,704
Keen Flow Investments Limited	842,719,874	+39,860,231
Bright Form Investments Limited	596,938,775	+14,027,282
Eagle Asset Management (CP) Limited	94,453,434	+42,378,865
Fine Noble Limited	13,920,090	+658,413
Great Eagle Nichemusic Limited	1,078,721	+51,022

- 2 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.
- 3 Mr. Lee Ching Ming, Adrian is a connected person by virtue of his being a director of the REIT Manager. The number of Units held by Mr. Lee increased by 1,689 Units as compared with the position as at 30 June 2009.
- 4 These Units were directly held by Fortune Mega Investments Limited. Its intermediate holding companies 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). Their Unitholdings remained unchanged as compared with the position as at 30 June 2009.

DISCLOSURE OF INTERESTS

- 5 These Units were directly held by Wing Tai Corporation Limited. The number of Units held by it increased by 3,307,783 Units as compared with the position as at 30 June 2009. Renowned Development Limited and Wing Tai (Cheng) Holdings Limited were its intermediate holding companies that were controlled by Mr. Cheng Wai Chee, Christopher. Further details of Mr. Cheng's interest in Champion REIT are disclosed in the section headed "Interests in Units of Champion REIT".
- 6 The 610,966,057 Units held by Bright Form Investments Limited ("Bright Form") are underlying Units, being derivative interests derived from the convertible bonds due 2013 in the principal amount of HK\$2,340,000,000 directly held by Bright Form. The number of underlying Units held by Bright Form increased by 14,027,282 Units as compared with the position as at 30 June 2009 due to an adjustment on conversion price of the convertible bonds due 2013 from HK\$3.92 to HK\$3.83 per Unit with effect from 13 October 2009.
- 7 The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes, the Trustee and its proprietary subsidiaries ("HSBC Group") are connected persons by virtue of being holding company, controlling entities, subsidiaries or associated companies (as defined under the REIT Code) of the Trustee of Champion REIT according to the information available to REIT Manager.
- HSBC Group was deemed to be interested in these Units in which 1,168,000 Units were held by its holding company, controlling entities (as defined in the REIT Code), subsidiaries and associated companies (as defined in the REIT Code) of Trustee and 16,945 Units were held by its directors, senior executives, officers and their associates (as defined in the REIT Code). The number of Units held by the HSBC Group increased by 224,945 Units as compared with the position as at 30 June 2009.
- 8 This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,823,534,789 as at 31 December 2009.

Save as disclosed in the notes above, there was no change in the number of Units and underlying Units held by the connected persons during the period from 1 July 2009 to 31 December 2009.

INTERESTS IN UNITS, UNDERLYING SHARES AND DEBENTURES 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 2009, the following persons had interests or short positions in the Units, underlying Units and debentures of Champion REIT or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to the divisions of Part XV of the SFO:

(a) Units and Underlying Units

Name	Number of Units Held ⁵	Percentage of Unitholdings ⁶
Interests of Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	3,066,503,335 ¹	63.57
Cheng Wai Chee, Christopher	86,295,359 ²	1.79
Lee Ching Ming, Adrian	70,609	0.001
Interests of the REIT Manager		
Eagle Asset Management (CP) Limited	136,832,299 ¹	2.84
Interests of Unitholders with 5% or more interests		
Great Eagle Holdings Limited	3,066,503,335 ¹	63.57
HSBC International Trustee Limited	3,069,677,461 ¹	63.64
Top Domain International Limited	1,420,416,628	29.45
Keen Flow Investments Limited	882,580,105	18.30
Bright Form Investments Limited	610,966,057	12.67
Capital Research and Management Company	232,618,638 ³	4.82
Government of Singapore Investment Corporation Pte Ltd.	252,878,000 ⁴	5.24

DISCLOSURE OF INTERESTS

Notes :

1. Great Eagle was deemed to be interested in a total of 3,066,503,335 Units held by its controlled corporations comprising:
 - (a) 1,420,416,628 Units held by Top Domain International Limited directly;
 - (b) 882,580,105 Units held by Keen Flow Investments Limited directly;
 - (c) 610,966,057 Units being underlying Units of the convertible bonds due 2013 held by Bright Form Investments Limited;
 - (d) 136,832,299 Units held by Eagle Asset Management (CP) Limited directly;
 - (e) 14,578,503 Units held by Fine Noble Limited directly; and
 - (f) 1,129,743 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 of a discretionary trust which held 33.10% interests in Great Eagle. Certain directors of Great Eagle including Dr. Lo Ka Shui and Mr. Lo Kai Shui (who are also directors of the REIT Manager), 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 are among the beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his own capacity and as the founder of another discretionary trust held 11.83% interest in the capital of Great Eagle. Dr. Lo Ka Shui has notifiable interests in the same parcel of Units held by Great Eagle by virtue of his capacity as the controller of Great Eagle for the purpose of the SFO.

2. Among these Units in which Mr. Cheng Wai Chee, Christopher were deemed to be interested:
 - (a) 73,240,529 Units were directly held by Wing Tai Corporation Limited, being his indirect controlled corporations; and
 - (b) 13,054,830 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 based on the Corporate Substantial Shareholder Notice dated 18 September 2009.
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. This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,823,534,789 as at 31 December 2009.

(b) Debentures

Name	Amount of debentures
Interests of Director in Debentures¹	
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\$4,660,000,000 of convertible bonds due 2013 ("2008 Convertible Bonds") issued by Fair Vantage Limited (a wholly owned and controlled entity by Champion REIT). The Trust re-purchased HK\$20 million in principal amount of the 2008 Convertible Bonds and the said repurchased convertible bonds have been cancelled on 24 June 2009.
2. These interests in 2008 Convertible Bonds were held by Great Eagle as mentioned in note 1(c) under the section headed "Interests in Units of Champion REIT".
3. These interests in 2008 Convertible Bonds were held by a trust of which Mr. Cheng Wai Chee, Christopher was a beneficiary as mentioned in note 2(b) under the section headed "Interests in Units of Champion REIT".

Save as disclosed above, as at 31 December 2009, 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.

FINANCIALS

86	Independent auditor's report
87	Consolidated income statement
88	Consolidated statement of comprehensive income
89	Consolidated statement of financial position
90	Consolidated statement of changes in net assets attributable to unitholders
91	Distribution statement
93	Consolidated statement of cash flows
95	Notes to the consolidated financial statements
136	Performance table

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

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 87 to 135, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows 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 with 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 2009 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

22 February 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Rental income	7	1,856,480	1,468,527
Building management fee income		165,614	136,350
Rental related income	8	12,934	8,959
Total revenue		2,035,028	1,613,836
Property operating expenses	9	(325,806)	(279,646)
Net property income		1,709,222	1,334,190
Interest income		2,532	16,965
Manager's fee	10	(205,107)	(160,103)
Trust and other expenses		(15,762)	(16,602)
Increase (decrease) in fair value of investment properties		4,156,335	(3,877,336)
Change in fair value of derivative components of convertible bonds	23	(597,242)	221,011
Change in fair value of rental stabilisation arrangement	17	2,810	2,021
Fair value loss upon amendment of interest rate swaps	24	—	(23,962)
Gain on repurchase of own convertible bonds		2,062	—
Finance costs	11	(754,766)	(643,974)
Profit (loss) before tax and distribution to unitholders	12	4,300,084	(3,147,790)
Income taxes	13	(555,531)	271,290
Profit (loss) for the year, before distribution to unitholders		3,744,553	(2,876,500)
Distribution to unitholders		(1,241,947)	(1,327,320)
Profit (loss) for the year, after distribution to unitholders		2,502,606	(4,203,820)
Basic earnings (loss) per unit	14	HK\$0.81	HK\$(0.77)
Diluted earnings (loss) per unit	14	HK\$0.78	HK\$(0.77)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	HK\$'000	HK\$'000
Profit (loss) for the year, after distribution to unitholders	2,502,606	(4,203,820)
Cash flow hedge:		
Losses arising during the year	(42,821)	(373,099)
Less: Reclassification adjustments for amounts recognised in profit or loss	173,696	167,597
	130,875	(205,502)
Total comprehensive income for the year	2,633,481	(4,409,322)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Investment properties	16	44,240,800	40,049,000
Rental stabilisation arrangement	17	44,943	53,843
Loan receivables	18	52,737	50,969
Total non-current assets		44,338,480	40,153,812
Current assets			
Trade and other receivables	19	103,107	115,883
Bank balances and cash	20	1,832,105	1,115,408
Total current assets		1,935,212	1,231,291
Total assets		46,273,692	41,385,103
Current liabilities			
Trade and other payables	21	1,050,000	1,066,079
Deposits received		331,380	347,400
Tax liabilities		48,224	43,616
Distribution payable		633,339	620,940
Total current liabilities		2,062,943	2,078,035
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loans	22	9,433,278	9,423,079
Convertible bonds	23	6,261,830	5,409,019
Derivative financial instruments	24	149,960	107,139
Deferred tax liabilities	25	1,006,379	539,377
Total non-current liabilities, excluding net assets attributable to unitholders		16,851,447	15,478,614
Total liabilities, excluding net assets attributable to unitholders		18,914,390	17,556,649
Net assets attributable to unitholders		27,359,302	23,828,454
Number of units in issue ('000)	26	4,823,535	4,434,598
Net asset value per unit	29	HK\$5.67	HK\$5.37

The consolidated financial statements on pages 87 to 135 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT") on 22 February 2010 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 2009

	Issued units HK\$'000 (note 26)	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2008	14,012,990	(311,109)	2,805,924	3,036,476	19,544,281
Loss for the year, before distribution to unitholders	—	—	—	(2,876,500)	(2,876,500)
Distribution	—	—	—	(1,327,320)	(1,327,320)
Cash flow hedges	—	(205,502)	—	—	(205,502)
Total comprehensive income for the year	—	(205,502)	—	(4,203,820)	(4,409,322)
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
Distribution	—	—	(80,900)	—	(80,900)
Issue of units	5,888,641	—	—	—	5,888,641
Unit issue costs	(141,880)	—	—	—	(141,880)
Net assets attributable to unitholders as at 31 December 2008	19,759,751	(516,611)	5,752,658	(1,167,344)	23,828,454
Profit for the year, before distribution to unitholders	—	—	—	3,744,553	3,744,553
Distribution	—	—	—	(1,241,947)	(1,241,947)
Cash flow hedges	—	130,875	—	—	130,875
Total comprehensive income for the year	—	130,875	—	2,502,606	2,633,481
Amount received pursuant to Distribution Waiver Amendment Deed (note)	—	—	5,285	—	5,285
Issue of units	892,082	—	—	—	892,082
Net assets attributable to unitholders as at 31 December 2009	20,651,833	(385,736)	5,757,943	1,335,262	27,359,302

Note: Pursuant to the Deed of Amendment of Distribution Entitlement Waiver Deed dated 14 February 2008 ("Distribution Waiver Amendment Deed"), the undertakings made by Top Domain International Limited, a wholly owned subsidiary of Great Eagle Holdings Limited ("Great Eagle"), under the Distribution Entitlement Waiver Deed dated 26 April 2006 ("Distribution Waiver Deed") in respect of distribution periods in 2008 ceased to be effective in consideration of a total amount of HK\$86,185,000, of which HK\$80,900,000 and HK\$5,285,000 were received and recognised directly in the consolidated statement of changes in net assets attributable to unitholders in year 2008 and 2009, respectively. The rights and obligations of Fortune Mega Investments Limited ("Fortune Mega"), a wholly owned subsidiary of Kerry Properties Limited and Wing Tai Corporation Limited ("Wing Tai") were not be affected by the Distribution Waiver Amendment Deed.

DISTRIBUTION STATEMENT

For the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
Interim Distribution Period			
Total distributable income		676,231	416,343
Percentage of distributable income for distribution (note (i))		90%	100%
Distributable income for Interim Distribution Period		608,608	416,343
Additional amounts (note (i))		—	370,937
Total distribution amount paid		608,608	787,280
Final Distribution Period			
Total distributable income	15	1,312,318	1,037,283
Less: distributable income paid in Interim Distribution Period		(608,608)	(416,343)
Distributable income available for Final Distribution Period		703,710	620,940
Percentage of distributable income for distribution (note (i))		90%	100%
Distributable income for Final Distribution Period		633,339	620,940
Additional amounts		—	—
Total distribution amount to be paid		633,339	620,940
Total distribution amounts for the year		1,241,947	1,408,220
Analysis of total distribution amounts for the year			
— From the results of the year		1,241,947	1,327,320
— From reserves		—	80,900
		1,241,947	1,408,220
Distributions per unit to unitholders			
Interim distribution per unit paid (note (ii))		HK\$0.1304	HK\$0.1788
Final distribution per unit to be paid (note (iii))		HK\$0.1313	HK\$0.1394
		HK\$0.2617	HK\$0.3182

DISTRIBUTION STATEMENT

For the year ended 31 December 2009

Notes:

- (i) The Manager has stated that it will distribute 90% (2008: 100%) of available distributable income as distributions for each of the six months period ended 30 June 2009 (the "Interim Distribution Period") and 31 December 2009 (the "Final Distribution Period") respectively.

For the interim distribution period in 2008, additional amounts of HK\$370,937,000 consisting of (a) amount entitled from amendment of interest rate swaps of HK\$290,037,000 and (b) amount received pursuant to the Distribution Waiver Amendment Deed of HK\$80,900,000, were distributed at the discretion of Manager.

- (ii) The interim distribution per unit of HK\$0.1304 for the Interim Distribution Period in 2009 was calculated based on the interim distribution paid of HK\$608,608,000 for the period and 4,666,721,106 units as of 4 September 2009, which was the record date for the period. The distribution was paid to unitholders on 13 October 2009.

The interim distribution per unit of HK\$0.1788 for the interim distribution period in 2008 was calculated based on the interim distribution paid of HK\$787,280,000 for the period and 4,402,798,833 units (as adjusted for the effect of Distribution Waiver Deed) (see note (iv) below) as of 8 September 2008, which was the record date for the period.

- (iii) The final distribution per unit of HK\$0.1313 for the Final Distribution Period in 2009 is calculated based on the final distribution to be paid of HK\$633,339,000 for the period and 4,823,534,789 units. Such final distribution will be subject to further adjustments upon the issuance of units on or before 26 April 2010, which is the record date set for such period. The final distribution will be paid to unitholders on or about 25 May 2010.

The final distribution per unit of HK\$0.1394 for the final distribution period in 2008 was calculated based on the final distribution paid of HK\$620,940,000 for the period and 4,453,906,114 units (as adjusted for the effect of Distribution Waiver Deed (note (iv) below) as of 27 April 2009, which was the record date for the period.

Further announcement will be made to inform unitholders of the final distribution per unit for the Final Distribution Period in 2009.

- (iv) Pursuant to the Distribution Waiver Amendment Deed and the Distribution Waiver Deed, Fortune Mega and Wing Tai agreed to waive their entitlements of distributions in respect of their 22,959,230 units and 8,839,756 units, respectively, for the distribution periods in 2008. Without such waivers on distribution entitlement for these units, the distributions per unit for interim distribution period in 2008 and final distribution in 2008 would be HK\$0.1593 and HK\$0.1384 respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
OPERATING ACTIVITIES			
Profit (loss) before tax and distribution to unitholders		4,300,084	(3,147,790)
Adjustments for:			
(Increase) decrease in fair value of investment properties		(4,156,335)	3,877,336
Change in fair value of derivative components of convertible bonds		597,242	(221,011)
Change in fair value of rental stabilisation arrangement		(2,810)	(2,021)
Fair value loss upon amendment of interest rate swaps		—	23,962
Gain on repurchase of own convertible bonds		(2,062)	—
Manager's fee paid and payable in units		205,107	160,103
Interest income		(2,532)	(16,965)
Finance costs		754,766	643,974
Operating cash flow before movements in working capital		1,693,460	1,317,588
Decrease (increase) in trade and other receivables		12,508	(18,402)
Increase in trade and other payables		3,043	2,818
(Decrease) increase in deposits received		(16,020)	57,654
CASH GENERATED FROM OPERATIONS		1,692,991	1,359,658
Interest paid		(315,882)	(231,835)
Hong Kong Profits Tax paid		(83,921)	(5,379)
NET CASH FROM OPERATING ACTIVITIES		1,293,188	1,122,444
INVESTING ACTIVITIES			
Interest received		1,032	15,900
Cash received from rental stabilisation arrangement		11,710	10,134
Additions to investment properties		(35,465)	(193,336)
Acquisition of Property Interests	27	—	(2,847,918)
NET CASH USED IN INVESTING ACTIVITIES		(22,723)	(3,015,220)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
FINANCING ACTIVITIES			
Distribution paid		(540,653)	(1,187,661)
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)
Repurchase of own convertible bonds		(18,400)	—
Proceeds received pursuant to the Distribution Waiver Amendment Deed		5,285	80,900
Unit issue costs paid		—	(141,880)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(553,768)	2,403,241
NET INCREASE IN CASH AND CASH EQUIVALENTS		716,697	510,465
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,115,408	604,943
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		1,832,105	1,115,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

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 ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Except as described below, the adoption of the new HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (revised 2007) Presentation of Financial Statements

HKAS 1 (revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14, Segment Reporting, require the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, as 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, no segment information by business and geographical segment was presented under HKAS 14 in prior years. In the current year, Champion REIT adopted HKFRS 8 and the segment information is set out in note 6.

Amendments to HKAS 32 Financial Instruments: Presentation — Puttable Financial Instruments and Obligations Arising on Liquidation

HKAS 32 (Amendments) require that if an entity has instruments, or components of instruments, that impose on the entity an obligation to deliver to the holders a pro-rata share of the net assets of the entity only on liquidation, such instruments, or components, should be presented as equity if certain specific criteria are met. The Manager has considered the amendments and has determined that HKAS 32 (Amendments) has no material impact to the accounting treatment for the units issued to unitholders as the components of the units that would be classified as equity is insignificant. Accordingly, the units continue to be classified as financial liabilities, representing the obligation of Champion REIT to distribute no less than 90% of Champion REIT’s distributable income to the unitholders.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of the Improvements to HKFRSs in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification to Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁷
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

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

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods beginning on or after 1 January 2013

⁷ Effective for annual periods beginning on or after 1 July 2010

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The Manager anticipates that the application of other standards, amendments or interpretations will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 statement of comprehensive income/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.

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 or 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 profit or loss on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

A financial asset (i.e. rental stabilisation arrangement) at FVTPL is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near futures; 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. 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 affected.

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 beyond the invoice date, 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 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 has a limited life of 80 years less one day from the date of its commencement. Therefore, the units issued by Champion REIT contain a contractual obligation upon its termination to distribute a share of all net cash proceeds derived from the sale or realisation of its assets less any liabilities to its unitholders in accordance with their proportionate interests in Champion REIT at the date of its termination. Accordingly, the units issued by Champion REIT is a compound instrument that contains both equity and liability components.

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 (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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Convertible bonds

Convertible bonds issued by the Group that contain both liability and derivative components (including early redemption option which is not closely related to the host liability component, and conversion option) 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 components are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components 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 the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives with changes in fair value recognised in profit or loss 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash flow hedge

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

Amounts previously recognised in other comprehensive income and accumulated in net assets attributable to unitholders (hedging reserve) are reclassified to 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 accumulated 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 accumulated in net assets attributable to unitholders is recognised immediately in profit or loss.

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 in other comprehensive income 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 2009

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

All borrowing costs in relation to non-qualifying assets are recognised in profit or loss 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. 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 amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case the deferred tax is also recognised in other comprehensive income or directly in net assets attributable to unitholders respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 end of the reporting period 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 23 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 components, assumptions are made based on market data such as historical volatility. Interest rate swaps are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK\$'000	2008 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Loan receivables	52,737	50,969
Trade and other receivables	14,837	19,480
Bank balances and cash	1,832,105	1,115,408
	1,899,679	1,185,857
<i>Financial assets at FVTPL</i>		
Rental stabilisation arrangement	44,943	53,843
Financial liabilities		
<i>Financial liabilities at FVTPL</i>		
Derivative components of convertible bonds	658,748	62,021
<i>Derivative instruments in designated hedge accounting relationships</i>		
Interest rate swaps	149,960	107,139
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	160,806	198,564
Distribution payable	633,339	620,940
Secured term loans	9,433,278	9,423,079
Liability component of convertible bonds	5,603,082	5,346,998
	15,830,505	15,589,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 receivables, 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 22 for details).

The Group is also exposed to fair value interest rate risk in relation to its time deposits, debt portion of the convertible bonds and pay-fixed/received-floating interest rate swaps. The Group entered into interest rate swaps on certain of its secured term loans 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 24 for details).

The Group reviews the continuing effectiveness of hedging instruments at least at the end of each reporting period and until the hedging instrument expires or is terminated or the hedge no longer meets the criteria for hedging accounting. The Group mainly used regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedging effectiveness.

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 Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's term loans.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments. For variable rate term loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period 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 reasonably 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. profit before tax and distribution to unitholders for the year ended 31 December 2009 would decrease/increase by HK\$12,270,000 (2008: loss before tax and distribution to unitholders increase/decrease by HK\$12,270,000). 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\$51,290,000/debited by HK\$41,851,000 (2008: credited by HK\$76,693,000/debited by HK\$78,520,000) mainly as a result of the changes in the fair value of interest rate swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk

As at 31 December 2009, 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 statement of financial position.

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 deposited with several banks with high credit ratings and loan receivables from a swap counterparty, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(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\$1,832,105,000 as at 31 December 2009 (2008: HK\$1,115,408,000). In addition to the cash resources, the Group has total available borrowing facilities amounted to HK\$10,154,000,000 (2008: HK\$10,154,000,000), of which HK\$9,454,000,000 (2008: HK\$9,454,000,000) was drawn as at 31 December 2009. The undrawn committed facility in the form of revolving bank loans totalled HK\$700,000,000 as at 31 December 2009 (2008: HK\$700,000,000). 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 45% of the total gross asset value as required by the Code.

As at 31 December 2009, the gearing ratio was 32.2% (2008: 36.0%). The ratio is calculated as total borrowings (principal amounts of secured term loans and convertible bonds) divided by total assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity and capital risk management (continued)

Liquidity and interest risk tables

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2009, the Group has undrawn committed facility of HK\$700,000,000 (2008: HK\$700,000,000). Details of which are set out in note 22.

The following tables detail the Group's expected maturity for its non-derivative financial assets as well as the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables below have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis. For non-derivative financial liabilities, the tables reflect the undiscounted (outflows) of financial liabilities (except units of Champion REIT) based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period. For convertible bonds, they are presented based on cash flows for payment of coupon interest and redemption at maturities.

	Weighted average effective interest rate %	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	3-4 years HK\$'000	4-5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2009										
<i>Non-interest bearing</i>										
Trade and other receivables	—	14,837	—	—	—	—	—	—	14,837	14,837
Loan receivables	—	—	—	—	55,307	—	—	—	55,307	52,737
		14,837	—	—	55,307	—	—	—	70,144	67,574
<i>Variable interest rate</i>										
Bank balances and cash	0.02	1,832,107	—	—	—	—	—	—	1,832,107	1,832,105
Total		1,846,944	—	—	55,307	—	—	—	1,902,251	1,899,679
<i>Non-interest bearing</i>										
Trade and other payables	—	(160,806)	—	—	—	—	—	—	(160,806)	(160,806)
Distribution payable	—	(633,339)	—	—	—	—	—	—	(633,339)	(633,339)
		(794,145)	—	—	—	—	—	—	(794,145)	(794,145)
<i>Variable interest rate instruments</i>										
Secured term loans	0.62	(10,051)	(19,144)	(29,035)	(7,032,510)	(15,706)	(2,460,631)	—	(9,567,077)	(9,433,278)
<i>Fixed interest rate instruments</i>										
Convertible bonds	5.96	—	(30,950)	(30,950)	(896,687)	(46,600)	(5,795,280)	—	(6,800,467)	(5,603,082)
Total		(804,196)	(50,094)	(59,985)	(7,929,197)	(62,306)	(8,255,911)	—	(17,161,689)	(15,830,505)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity and capital 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 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2008										
<i>Non-interest bearing</i>										
Trade and other receivables	—	19,480	—	—	—	—	—	—	19,480	19,480
Loan receivables	—	—	—	—	—	55,307	—	—	55,307	50,969
		19,480	—	—	—	55,307	—	—	74,787	70,449
<i>Variable interest rate</i>										
Bank balances and cash	0.33	1,115,409	—	—	—	—	—	—	1,115,409	1,115,408
Total		1,134,889	—	—	—	55,307	—	—	1,190,196	1,185,857
<i>Non-interest bearing</i>										
Trade and other payables	—	(198,564)	—	—	—	—	—	—	(198,564)	(198,564)
Distribution payable	—	(620,940)	—	—	—	—	—	—	(620,940)	(620,940)
		(819,504)	—	—	—	—	—	—	(819,504)	(819,504)
<i>Variable interest rate instruments</i>										
Secured term 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 2009

5. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash outflows on the interest rate swaps that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the expected cash flows as the Manager considers that the expected cash flows are essential for an understanding of the timing of the cash flows of these derivatives, which have been entered into for hedging purposes.

	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 2009						
Interest rate swaps	(20,350)	(40,700)	(62,745)	(29,528)	—	(153,323)
As at 31 December 2008						
Interest rate swaps	(14,556)	(29,112)	(44,882)	(58,450)	(14,799)	(161,799)

(iv) Other price risk

The Group is exposed to risk through fluctuation of forecasted rental income arising from the rental stabilisation arrangement and price risk through its unit price risks arising from the derivative components of the convertible bonds. Details of rental stabilisation arrangement and convertible bonds are set out in note 17 and note 23, respectively.

Sensitivity analysis

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

	Decrease (increase) in profit before tax 2009 HK\$'000	Increase (decrease) in loss before tax 2008 HK\$'000
Derivative components of convertible bonds		
Volatility, higher by 5%	91,033	40,699
Volatility, lower by 5%	(129,852)	(30,357)
Rental stabilisation arrangement		
Change in market rent, higher by 5%	(14)	(7,443)
Change in market rent, lower by 5%	15	2,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

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

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; 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, the fair value is estimated using the Black-Scholes model whereas for derivative components of convertible bonds, the fair values are estimated using the Binomial model.

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.

(d) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2009				
<i>Financial assets at FVTPL</i>				
Rental stabilisation arrangement	—	—	44,943	44,943
<i>Financial liabilities at FVTPL</i>				
Derivative components of convertible bonds	—	—	658,748	658,748
<i>Derivative instruments in designated hedge accounting relationships</i>				
Interest rate swaps	—	149,960	—	149,960

There were no transfers between Level 1 and 2 in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (continued)

Reconciliation of Level 3 fair value measurements of financial assets (liabilities)

	Rental stabilisation arrangement HK\$'000	Derivative components of convertible bonds HK\$'000	Total HK\$'000
As at 1 January 2009	53,843	(62,021)	(8,178)
Change in fair value	2,810	(597,242)	(594,432)
Repurchase during the year	—	515	515
Cash received	(11,710)	—	(11,710)
As at 31 December 2009	44,943	(658,748)	(613,805)

The above change in fair value is reported as “change in fair value of rental stabilisation arrangement” and “change in fair value of derivative components of convertible bonds” respectively, in the consolidated income statement.

6. SEGMENT INFORMATION

As described in note 2, the Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”), in order to allocate resources to segments and to assess their performance. Information reported to the management of the Manager, CODM of the Group, for that purpose is more specifically focused on the operating results of the two investment properties, namely Citibank Plaza and Langham Place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by the two investment properties.

For the year ended 31 December 2009

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
Revenue	1,314,462	720,566	2,035,028
Segment results — Net property income	1,143,056	566,166	1,709,222
Interest income			2,532
Manager's fee			(205,107)
Trust and other expenses			(15,762)
Increase in fair value of investment properties			4,156,335
Change in fair value of derivative components of convertible bonds			(597,242)
Change in fair value of rental stabilisation arrangement			2,810
Gain on repurchase of own convertible bonds			2,062
Finance costs			(754,766)
Profit before tax and distribution to unitholders			4,300,084
Income taxes			(555,531)
Profit after tax, before distribution to unitholders			3,744,553
Distribution to unitholders			(1,241,947)
Profit for the year, after distribution to unitholders			2,502,606
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Increase in fair value of investment properties	2,743,935	1,412,400	4,156,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2008

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
Revenue	1,205,983	407,853	1,613,836
Segment results — Net property income	1,020,822	313,368	1,334,190
Interest income			16,965
Manager's fee			(160,103)
Trust and other expenses			(16,602)
Decrease in fair value of investment properties			(3,877,336)
Change in fair value of derivative component of convertible bonds			221,011
Change in fair value of rental stabilisation arrangement			2,021
Fair value loss upon amendment of interest rate swaps			(23,962)
Finance costs			(643,974)
Loss before tax and distribution to unitholders			(3,147,790)
Income taxes			271,290
Loss after tax, before distribution to unitholders			(2,876,500)
Distribution to unitholders			(1,327,320)
Loss for the year, after distribution to unitholders			(4,203,820)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Decrease in fair value of investment properties	(1,866,577)	(2,010,759)	(3,877,336)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Other segment information

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2009			
Additions to non-current assets	35,465	—	35,465
For the year ended 31 December 2008			
Acquisitions of investment properties	—	15,390,000	15,390,000
Other additions to non-current assets	2,577	190,759	193,336

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2009, the fair value of Citibank Plaza and Langham Place was HK\$29,258,400,000 (2008: HK\$26,479,000,000) and HK\$14,982,400,000 (2008: HK\$13,570,000,000), respectively.

Save as abovementioned, no other assets and liabilities are included in the measures of the Group's segment reporting.

Geographical information

The Group's activities are all carried out in Hong Kong.

The Group's revenue from external customers and information about its non-current assets are all located in Hong Kong.

7. RENTAL INCOME

	2009 HK\$'000	2008 HK\$'000
Rental income	1,829,181	1,445,653
Car park income	27,299	22,874
	1,856,480	1,468,527

8. RENTAL RELATED INCOME

	2009 HK\$'000	2008 HK\$'000
Interest income from tenants	671	300
Promotional levy income	7,171	4,106
Surplus on forbearance fee	59	3,061
Sundry income	5,033	1,492
	12,934	8,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

9. PROPERTY OPERATING EXPENSES

	2009 HK\$'000	2008 HK\$'000
Building management fees	180,468	142,604
Car park operating expenses	6,234	4,237
Government rent and rates	53,454	40,363
Legal cost and stamp duty	1,073	3,315
Promotion expenses	14,658	11,313
Property and lease management service fee	55,967	43,604
Property miscellaneous expenses	3,992	3,171
Rental commission	8,222	26,907
Repairs and maintenance	1,738	4,132
	325,806	279,646

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 years ended 31 December 2009 and 2008.

11. FINANCE COSTS

	2009 HK\$'000	2008 HK\$'000
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	242,108	290,352
Interest expense on convertible bonds wholly repayable within five years	338,009	206,951
Release of cumulative loss on hedging instrument (note 24)	173,099	145,434
Other borrowing costs	1,550	1,237
	754,766	643,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. PROFIT (LOSS) BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2009 HK\$'000	2008 HK\$'000
Profit (loss) before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	2,700	2,400
Trustee's remuneration	7,668	6,885
Principal valuer's fee	328	388
Other professional fees and charges	5,198	2,900
Roadshow and public relations expenses	24	2,808
Bank charges	62	59

13. INCOME TAXES

	2009 HK\$'000	2008 HK\$'000
Hong Kong Profits Tax:		
Current tax		
— Current year	88,694	36,435
— (Over)underprovision in prior year	(165)	1,583
	88,529	38,018
Deferred tax (note 25)		
— Current year	467,002	(260,812)
— Attributable to a change in tax rate	—	(48,496)
	467,002	(309,308)
	555,531	(271,290)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. INCOME TAXES (continued)

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

	2009 HK\$'000	2008 HK\$'000
Profit (loss) before tax and distribution to unitholders	4,300,084	(3,147,790)
Tax at the domestic income tax rate of 16.5%	709,514	(519,385)
Tax effect of income not taxable for tax purpose	(270,995)	(43,057)
Tax effect of expenses not deductible for tax purpose	116,487	319,036
(Over)underprovision in prior year	(165)	1,583
Utilisation of tax losses previously not recognised	(27,738)	—
Decrease in opening deferred taxation liability resulting from a decrease in applicable tax rate	—	(48,496)
Tax effect of tax losses not recognised	34,249	19,029
Other	(5,821)	—
Income taxes for the year	555,531	(271,290)

14. BASIC AND DILUTED EARNINGS (LOSS) PER UNIT

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

	2009 HK\$'000	2008 HK\$'000
Earnings		
Profit (loss) for the year, before distribution to unitholders for the purpose of basic earnings (loss) per unit	3,744,553	(2,876,500)
Effect of dilutive potential units:		
Interest on convertible bonds	338,009	—
Change in fair value of derivative components of convertible bonds	597,242	—
Gain on repurchase of own convertible bonds	(2,062)	—
Profit (loss) for the year, before distribution to unitholders for the purpose of diluted earnings (loss) per unit	4,677,742	(2,876,500)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. BASIC AND DILUTED EARNINGS (LOSS) PER UNIT (continued)

	2009	2008
Number of units		
Weighted average number of units for the purpose of basic earnings (loss) per unit	4,607,273,895	3,746,109,818
Effect of dilutive potential units:		
Units to be issued in respect of Manager's fee	7,631,314	—
Convertible bonds	1,398,226,201	—
Weighted average number of units for the purpose of diluted earnings (loss) per unit	6,013,131,410	3,746,109,818
Basic earnings (loss) per unit before distribution to unitholders	HK\$0.81	HK\$(0.77)
Diluted earnings (loss) per unit before distribution to unitholders	HK\$0.78	HK\$(0.77)

In the prior year, the computation of diluted loss per unit did 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.

15. TOTAL DISTRIBUTABLE INCOME

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

	2009 HK\$'000	2008 HK\$'000
Profit (loss) for the year, before distribution to unitholders	3,744,553	(2,876,500)
Adjustments:		
Manager's fee paid and payable in units	205,107	160,103
(Increase) decrease in fair value of investment properties	(4,156,335)	3,877,336
Change in fair value of derivative components of convertible bonds	597,242	(221,011)
Change in fair value of rental stabilisation arrangement	(2,810)	(2,021)
Fair value loss upon amendment of interest rate swaps	—	23,962
Non-cash gain	(1,768)	(1,223)
Non-cash finance costs	459,327	385,945
Deferred tax	467,002	(309,308)
Total distributable income	1,312,318	1,037,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. INVESTMENT PROPERTIES

	2009 HK\$'000	2008 HK\$'000
FAIR VALUE		
At the beginning of the year	40,049,000	28,343,000
Acquisition of property interests (note 27)	—	15,390,000
Additions during the year	35,465	193,336
Increase (decrease) in fair value during the year	4,156,335	(3,877,336)
	44,240,800	40,049,000

The fair value of the Group's investment properties at 31 December 2009 and 2008 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited ("Knight Frank") and Savills Valuation and Professional Services Limited ("Savills"), independent qualified professional valuers not connected to the Group, respectively. 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 its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, 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 properties range from 4.2% to 4.7% (2008: 5% to 5.25%) and 4.0% to 4.2% (2008: 5% to 5.25%), respectively.

On 3 June 2008 (the "Completion Date"), the Group completed the acquisition of the retail, carpark and certain office portions of Langham Place. Details of the acquisition are set out in note 27.

The fair value of investment properties acquired at the Completion Date, based on independent valuation performed by Savills, 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.

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 22 and 23, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. RENTAL STABILISATION ARRANGEMENT

Pursuant to the rental stabilisation arrangement (the "Arrangement") in relation to the acquisition of 3 floors and certain carparking spaces in Citibank Plaza, Kerry had undertaken that during the five years commencing from 5 January 2007 (the "Full Rental Stabilisation Period"), the New Property Income (as defined in the agreement) for each 6-month period ending 30 June and 31 December during the Full Rental Stabilisation Period shall not be less than HK\$30,992,000. The total amount of shortfall receivable from Kerry under the Arrangement is subject to a maximum amount of HK\$95,223,000 for the Full Rental Stabilisation Period (the "Maximum Rental Stabilisation Amount"). On 5 January 2007, Kerry had paid an amount equal to the Maximum Rental Stabilisation Amount into a designated escrow account.

During the year, the Group received an aggregate amount of HK\$11,710,000 (2008: HK\$10,134,000), which represents the shortfall of New Property Rental of HK\$11,702,000 (2008: HK\$9,458,000) and interest on the escrow account of HK\$8,000 (2008: HK\$676,000).

The Arrangement is accounted for as financial derivative and measured at fair value at the end of the reporting period. The fair value gain during the year of HK\$2,810,000 (2008: HK\$2,021,000) was credited to consolidated income statement. At 31 December 2009 and 2008, the fair value is determined based on the Black-Scholes model using the assumptions of current market rents at the end of respective reporting periods, expected volatility of grade A central office based on past five years historical rent index and the duration of the Arrangement.

18. LOAN RECEIVABLES

	2009 HK\$'000	2008 HK\$'000
Loan receivables	52,737	50,969

The amount represents the receivable due from the interest rate swap counterparty. 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%.

19. TRADE AND OTHER RECEIVABLES

	2009 HK\$'000	2008 HK\$'000
Trade receivables	11,744	14,916
Deferred rent receivables	37,269	41,071
Deposits, prepayments and other receivables	54,094	59,896
	103,107	115,883

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 presented based on the invoice date at the end of the reporting period is as follows:

	2009 HK\$'000	2008 HK\$'000
0 — 3 months	11,744	14,916

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$11,744,000 (2008: HK\$14,916,000) which are past due within 3 months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

20. BANK BALANCES AND CASH

	2009 HK\$'000	2008 HK\$'000
Cash on hand	14	14
Cash at bank	201,174	200,854
Time deposits	1,630,917	914,540
	1,832,105	1,115,408

Bank balances carry interest at market rates of 0.001% to 0.01% per annum. Time deposits with a maturity of less than three months carry interest at market rates which range from 0.005% to 0.04% per annum.

21. TRADE AND OTHER PAYABLES

	2009 HK\$'000	2008 HK\$'000
Trade payables	37,904	54,206
Rental received in advance	29,887	7,709
Other payables	132,084	154,039
Accrued stamp duty	850,125	850,125
	1,050,000	1,066,079

The accrual for stamp duty is based on the current stamp duty rate of 3.75% and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the Property Interest in Citibank Plaza upon listing.

Ageing analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2009 HK\$'000	2008 HK\$'000
0 — 3 months	37,904	54,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

22. SECURED TERM LOANS

	2009 HK\$'000	2008 HK\$'000
Secured term loans	9,454,000	9,454,000
Loan front-end fee	(20,722)	(30,921)
	9,433,278	9,423,079

The secured term loans comprise the following:

- (i) In relation to the term loan and revolving credit facilities of HK\$7,200,000,000 granted to the Group on 24 May 2006, the total facilities drawn down by the Group as at 31 December 2009 was HK\$7,000,000,000 (2008: HK\$7,000,000,000). It bears interest at floating interest rate of 1 month HIBOR (2008: 3 months HIBOR) plus 0.53% with effect from the coupon period starting from 24 November 2009 and is repayable in full on 24 May 2011. The interest rate is fixed at the rate of 2.865% per annum by the use of interest rate swaps and amended to 2.8225% per annum since 24 November 2009.

As security for the facilities granted to the Group, certain investment properties with a fair value of HK\$27,967,700,000 as at 31 December 2009 (2008: HK\$25,285,300,000) 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.

- (ii) In relation to the term loan and revolving credit facilities of HK\$2,954,000,000 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 2009 was HK\$2,454,000,000 (2008: HK\$2,454,000,000). 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\$14,982,400,000 as at 31 December 2009 (2008: HK\$13,570,000,000) 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.

23. CONVERTIBLE BONDS

On 22 December 2006, Treasure Source Limited ("2006 Bonds Issuer"), an entity directly wholly-owned and controlled by Champion REIT, issued HK\$765,000,000 2% guaranteed convertible bonds due 2011 ("2006 Bonds"). As security for the 2006 Bonds, certain investment properties with a fair value of HK\$1,290,700,000 as at 31 December 2009 (2008: HK\$1,193,700,000) together with the assignment of insurance proceeds have been granted and mortgaged in favour of the bond holders by the 2006 Bonds Issuer.

The principal terms of the 2006 Bonds include the following:

Conversion

The holders of the 2006 Bonds are entitled to convert their bonds 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\$4.26 per unit which came into effect since 27 May 2009 as a result of Excess Distribution (as defined in terms and conditions of the 2006 Bonds) during the period.

If the holder has elected to convert the 2006 Bonds, the 2006 Bonds 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. CONVERTIBLE BONDS (continued)

Redemption

Unless previously converted, redeemed or purchased and cancelled, the 2006 Bonds will be redeemed at 110.328% of their outstanding principal amount on 23 May 2011 (the "2006 Bonds Maturity Date").

The 2006 Bonds Issuer may redeem the convertible bonds, in whole and not in part, on or at any time after 22 December 2009 but not less than seven business days prior to the 2006 Bonds Maturity Date, if the closing price of the units of Champion REIT on each of the 20 consecutive trading days immediately prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount (as defined below) for each 2006 Bonds divided by the then effective Conversion Ratio (as defined below).

The "Early Redemption Amount" is the principal amount of the convertible bonds plus a gross yield of 4.15% per annum, calculated on a semi-annual basis, from 22 December 2006, the closing date of the convertible bond issue, to the 2006 Bonds Maturity Date.

The "Conversion Ratio" is the principal amount of the convertible bonds divided by the then effective conversion price.

There was no conversion, redemption and repurchase of the 2006 Bonds during the year ended 31 December 2009. As at 31 December 2009, the principal amount of the 2006 Bonds was HK\$765,000,000 (2008: HK\$765,000,000).

On 3 June 2008, Fair Vantage Limited ("2008 Bonds Issuer"), an entity directly wholly-owned and controlled by Champion REIT, issued HK\$4,680,000,000 1% guaranteed convertible bonds due 2013 ("2008 Bonds"). As security for the 2008 Bonds, certain investment properties with a fair value of HK\$14,982,400,000 as at 31 December 2009 (2008: HK\$13,570,000,000) together with the assignment of insurance proceeds have been granted and mortgaged in favour of the bond holders by the 2008 Bonds Issuer.

The principal terms of the 2008 Bonds include the following:

Conversion

The holders of the 2008 Bonds are entitled to convert their bonds 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\$3.92 on 27 May 2009 and re-adjusted to HK\$3.83 per unit on 13 October 2009 as a result of Excess Distribution (as defined in terms and conditions of the 2008 Bonds) adjustment.

If the holder has elected to convert the 2008 Bonds, the 2008 Bonds Issuer will be required to deliver, in respect of each bond converted; (a) an amount of cash, as elected by the 2008 Bonds Issuer; and (b) units, the number of which should be calculated in accordance to the terms and conditions of the 2008 Bonds.

Redemption

Unless previously converted, redeemed or purchased and cancelled, the 2008 Bonds will be redeemed at 123.94% of their outstanding principal amount on 3 June 2013 (the "2008 Bonds Maturity Date").

The 2008 Bonds Issuer may redeem the convertible bonds, in whole and not in part, on or at any time after 3 June 2011 but not less than seven business days prior to the 2008 Bonds Maturity Date, if the closing price of the units of Champion REIT on each of the 20 consecutive trading days immediately prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount (as defined below) for each 2008 Bonds divided by the then effective Conversion Ratio (as defined below).

The "Early Redemption Amount" is the principal amount of the convertible bonds plus a gross yield of 5.25% per annum, calculated on a semi-annual basis, from 3 June 2008, the closing date of the convertible bond issue, to the 2008 Bonds Maturity Date.

The "Conversion Ratio" is the principal amount of the convertible bonds divided by the then effective conversion price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. CONVERTIBLE BONDS (continued)

During the year, the 2008 Bonds Issuer repurchased principal amount of HK\$20,000,000 of the 2008 Bonds at a price range of 90 to 93 per cent of their principal amounts and resulted in a gain of HK\$2,062,000 recognised in profit or loss. The repurchased 2008 Bonds were cancelled on 24 June 2009. As at 31 December 2009, the principal amount of 2008 Bonds was HK\$4,660,000,000 (2008: HK\$4,680,000,000).

As at 31 December 2009, Great Eagle, a significant unitholder, through its directly wholly-owned subsidiary, Bright Form Investments Limited, held an aggregate principal amount of HK\$2,340,000,000 of 2008 Bonds (2008: HK\$2,340,000,000).

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 2009, the fair values of the derivative components (including conversion options and early redemption options) are based on valuation provided to the Group by an independent valuer. The fair values are determined based on the Binomial model using the assumptions as follows:

	2009		2008	
	2006 Bonds	2008 Bonds	2006 Bonds	2008 Bonds
Unit price	HK\$3.30	HK\$3.30	HK\$2.08	HK\$2.08
Risk-free rate of interest	0.86%	2.09%	0.66%	1.12%
Dividend yield	8.03%	8.02%	15.32%	15.32%
Historical volatility (with similar time to maturity)	51.03%	39.93%	40.0%	40.0%

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

	2009 HK\$'000	2008 HK\$'000
Liability component		
At the beginning of the year	5,346,998	747,619
Arising on issuance of 2008 Bonds, net of transaction costs	—	4,434,768
Interest charged	338,009	206,951
Interest paid	(61,978)	(42,340)
Repurchase during the year	(19,947)	—
At the end of the year	5,603,082	5,346,998
Derivative components		
At the beginning of the year	62,021	61,200
Arising on issuance of 2008 Bonds	—	221,832
Change in fair value	597,242	(221,011)
Repurchase during the year	(515)	—
At the end of the year	658,748	62,021
Total convertible bonds	6,261,830	5,409,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 HK\$'000	2008 HK\$'000
Cash flow hedge — interest rate swaps	149,960	107,139

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

On 9 October 2009, the interest rate swaps arrangement was further amended from quarterly payments to monthly payments with effect from the coupon period starting 24 November 2009 until maturity on 24 May 2011. As a result of the amendment, the fixed rate was changed from 2.865% per annum to 2.8225% per annum.

In the prior year, the interest rate swaps were amended by fixing the swap rate from a step up structure to a fixed rate of 2.865% 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, of which HK\$234,730,000 was paid on 15 May 2008 and the remaining balance of HK\$55,307,000 will be paid on 24 May 2011. At the date of amendment, a fair value loss of HK\$23,962,000 was recognised in the consolidated income statement.

Subsequent to the amendment to 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\$173,099,000 (2008: HK\$145,434,000).

At 31 December 2009, major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK\$7,000,000,000	24 May 2011	From 1 month HIBOR plus 0.53% to a fixed rate of 2.8225%

At 31 December 2008, major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK\$7,000,000,000	24 May 2011	From 3 months HIBOR plus 0.53% to a fixed rate of 2.865%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 2008	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
Charge (credit) to consolidated income statement during the year	87,022	452,749	(72,769)	467,002
As at 31 December 2009	203,955	895,235	(92,811)	1,006,379

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

As at 31 December 2009, the Group has unutilised tax losses amounting to HK\$885,392,000 (2008: HK\$404,908,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$562,490,000 (2008: HK\$121,464,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$322,902,000 (2008: HK\$283,444,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

26. ISSUED UNITS

	Number of units	HK\$'000
Balance at 1 January 2008	2,801,436,491	14,012,990
Payment of Manager's fee through issuance of new units during the year (note (i))	28,607,328	112,247
Units issued as part of consideration for the acquisition of property interests (note (ii))	781,221,000	2,812,395
Units issued for financing the acquisition of property interests (note (ii))	823,333,000	2,963,999
Unit issue costs	—	(141,880)
Balance at 31 December 2008	4,434,597,819	19,759,751
Payment of Manager's fee through issuance of new units during the year (note (i))	87,306,349	203,320
Units issued under distribution reinvestment scheme (note (iii))	301,630,621	688,762
Balance at 31 December 2009	4,823,534,789	20,651,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. ISSUED UNITS (continued)

Notes:

- (i) Details of units issued during the year as payment of the Manager's fee are as follows:

Issue date	Payment of the Manager's fees for the period	Average issue price per unit determined based on the Trust Deed HK\$	Aggregate issue price HK\$'000	Number of units issued
In 2009				
3 April 2009	1.7.2008 to 31.12.2008	1.920	98,126	51,107,281
21 August 2009	1.1.2009 to 30.6.2009	2.906	105,194	36,199,068
				87,306,349
In 2008				
25 March 2008	1.7.2007 to 31.12.2007	3.992	50,270	12,592,639
27 August 2008	1.1.2008 to 30.6.2008	3.870	61,977	16,014,689
				28,607,328

- (ii) 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 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.
- (iii) Details of units issued during the current year under distribution reinvestment scheme (i.e. unitholders electing to receive scrip units in lieu of cash distribution) are as follows:

Issue date	Distribution period	Scrip price HK\$	Number of units issued
In 2009			
27 May 2009	1.7.2008 to 31.12.2008	1.7708	144,816,938
13 October 2009	1.1.2009 to 30.6.2009	2.7569	156,813,683
			301,630,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 had 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	(2,340,000)	
— Fair value of units issued (note 26(ii))	(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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

28. MAJOR NON-CASH TRANSACTIONS

During the year, 87,306,349 (2008: 28,607,328) units were issued as payment for the Manager's fee, amounting to HK\$203,320,000 (2008: HK\$112,247,000).

During the year, 301,630,621 (2008: nil) units were issued under distribution reinvestment scheme.

In the prior year, 781,221,000 units were issued as partial settlement of the total consideration payable to Great Eagle for the acquisition of Langham Place. In addition, the total consideration payable to Great Eagle for the acquisition of Langham Place was partially settled by the issue of 2008 Bonds with principal amount of HK\$2,340,000,000.

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 2009 of HK\$27,359,302,000 (2008: HK\$23,828,454,000) by the number of units in issue of 4,823,534,789 (2008: 4,434,597,819) as at 31 December 2009.

30. NET CURRENT LIABILITIES

At 31 December 2009, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$127,731,000 (2008: HK\$846,744,000).

31. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2009, the Group's total assets less current liabilities amounted to HK\$44,210,749,000 (2008: HK\$39,307,068,000).

32. OPERATING LEASE COMMITMENTS

At 31 December 2009, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2009 HK\$'000	2008 HK\$'000
Within one year	1,339,657	1,729,844
In the second to fifth year inclusive	1,227,981	2,206,455
Over five years	—	61,100
	2,567,638	3,997,399

The properties held had committed leases usually 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\$31,232,000 (2008: HK\$16,215,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

33. CAPITAL COMMITMENTS

	2009	2008
	HK\$'000	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

34. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2009	2008
		HK\$'000	HK\$'000
<i>Rental income</i>			
China Mobile Peoples Telephone Company Limited	(a)	223	210
Langham Hotels International Limited	(b)	9,626	5,562
Langham Place Hotel (HK) Limited	(b)	3,996	2,328
Main St. Cafe Hong Kong Company Limited	(b)	1,778	1,379
Strong Dynamic Limited	(b)	6,600	6,615
The Great Eagle Properties Management Company, Limited	(b)	3,636	2,941
The Great Eagle Company, Limited	(b)	26,000	15,022
Toptech Co. Limited	(b)	3,004	1,733
Eagle Asset Management (CP) Limited	(b)	394	269
Eagle Property Management (CP) Limited	(b)	2,914	803
HSBC Group*	(c)	52,393	43,153
<i>Interest income</i>			
HSBC Group*	(c)	528	15,741
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	3,444	3,444
The Great Eagle Properties Management Company, Limited	(b)	434	311
Langham Hotels International Limited	(b)	1,398	808
Langham Place Hotel (HK) Limited	(b)	542	313
Toptech Co. Limited	(b)	502	290
Main St. Cafe Hong Kong Company Limited	(b)	204	156
Eagle Property Management (CP) Limited	(b)	326	82
HSBC Group*	(c)	4,076	3,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

	Notes	2009 HK\$'000	2008 HK\$'000
<i>Building management fee</i>			
The Great Eagle Properties Management Company, Limited	(b)	150,900	124,933
Longworth Management Limited	(b)	30,621	17,692
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	55,966	43,643
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(b)	8,185	19,375
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	793	870
Toptech Co. Limited	(b)	240	862
Keysen Engineering Company, Limited	(b)	160	92
The Great Eagle Properties Management Company, Limited	(b)	7	13
Sun Fook Kong Housing Services Limited	(e)	—	13
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	928	1,258
Toptech Co. Limited	(b)	940	644
Keysen Engineering Company, Limited	(b)	226	95
The Great Eagle Properties Management Company, Limited	(b)	7	13
Sun Fook Kong Housing Services Limited	(e)	—	13
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	51	—
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	(b)	28	39
<i>Insurance fee</i>			
The Great Eagle Insurance Agency Limited	(b)	921	690
<i>Trust and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	7,668	6,885
HSBC Group*	(c)	61	55
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(f)	205,107	160,103
<i>Acquisition cost for investment properties</i>			
Eagle Asset Management (CP) Limited	(b)	—	125,000
HSBC Institutional Trust Services (Asia) Limited	(c)	—	100
Savills Valuation and Professional Services Limited	(d)	—	400
Savills Project Consultancy Limited	(d)	—	250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

	Notes	2009 HK\$'000	2008 HK\$'000
<i>Finance costs</i>			
Hang Seng Bank Limited^	(c)	114,592	240,770
<i>Valuation fee</i>			
Knight Frank Petty Limited	(d)	325	—
Savills Valuation and Professional Services Limited	(d)	3	388
Savills (Hong Kong) Limited	(d)	—	252

Balances with related parties are as follows:

	Notes	2009 HK\$'000	2008 HK\$'000
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (g)	26,068	26,036
The Great Eagle Company, Limited	(b) & (g)	—	21
Longworth Management Limited	(b) & (g)	15,311	15,311
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	10,394	24,079
Eagle Asset Management (CP) Limited	(b) & (g)	98,126	98,126
Toptech Co. Limited	(b) & (g)	370	759
The Great Eagle Engineering Company Limited	(b) & (g)	742	3,042
The Great Eagle Properties Management Company, Limited	(b) & (g)	33	10,788
Keysen Engineering Company, Limited	(b) & (g)	88	51
The Great Eagle Company, Limited	(b) & (g)	13	—
The Great Eagle Insurance Agency Limited	(b) & (g)	30	—
Langham Place Hotel (HK) Limited	(b) & (g)	3	—
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
China Mobile Peoples Telephone Company Limited	(a)	37	37
Eagle Property Management (CP) Limited	(b)	10	10
Main St. Cafe Hong Kong Company Limited	(b) & (h)	—	10
The Great Eagle Properties Management Company, Limited	(b)	887	879
Toptech Co. Limited	(b)	869	869
Strong Dynamic Limited	(b) & (i)	—	—
Langham Hotels International Limited	(b) & (j)	—	—
Langham Place Hotel (HK) Limited	(b) & (k)	15	15
HSBC Group*	(c)	10,381	10,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) This company is an associate of Dr. Lo Ka Shui (the Chairman of Champion REIT and a director of Great Eagle) by virtue of Dr Lo's being an independent non-executive director of the ultimate holding company of this company.
- (b) These companies are the subsidiaries of Great Eagle, a significant holder of Champion REIT.
- (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 2009 and 31 December 2009.
- (g) The amounts due from and due to related parties are unsecured, interest-free and have no fixed repayment terms.
- (h) In addition to HK\$nil (2008: HK\$10,000) received as damage deposit, a bank guarantee of HK\$511,000 (2008: HK\$511,000) was received in lieu of deposit.
- (i) A bank guarantee of HK\$2,593,000 (2008: HK\$2,593,000) was received in lieu of deposit.
- (j) A bank guarantee of HK\$2,864,000 (2008: HK\$2,864,000) was received in lieu of deposit.
- (k) In addition to HK\$15,000 (2008: HK\$15,000) received as damage deposit, a bank guarantee of HK\$1,160,000 (2008: HK\$1,160,000) 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 2006 and outstanding as at 31 December 2009) 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 2009).

35. ENTITIES CONTROLLED BY CHAMPION REIT

The following entities are wholly-owned and controlled by Champion REIT as at 31 December 2009 and 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

35. ENTITIES CONTROLLED BY CHAMPION REIT (continued)

Name	Issued and fully paid Ordinary share capital	Principal activities
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 (deregistered on 5 June 2009)	1 share of HK\$1	Inactive
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 2009

	Year ended 31.12.2009	Year ended 31.12.2008	Year ended 31.12.2007	Period ended 31.12.2006
Net asset value (HK\$'000)	27,359,302	23,828,454	19,544,281	16,562,844
Net asset value per unit (HK\$)	5.67	5.37	6.98	6.04
The highest traded price during the period (HK\$)	3.37	4.85	4.77	4.375
The highest premium of the traded price to net asset value ¹	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	1.56	1.31	3.69	3.70
The highest discount of the traded price to net asset value	72.49%	75.61%	47.13%	38.74%
The distribution yield per unit ²	7.93%	15.30%	7.43%	8.75%
The net profit/(loss) yield per unit ³	23.52%	(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\$0.2617 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2009 over the traded price of HK\$3.30 as at 31 December 2009.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2009 over the traded price of HK\$3.30 as at 31 December 2009.

CORPORATE INFORMATION

CHAMPION REIT

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))

REIT MANAGER

Eagle Asset Management (CP) Limited
Suite 3008, 30th Floor
Great Eagle Centre
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Hong Kong
TEL: (852) 2879 1288
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Email: Info@eam.com.hk

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

AUDIT COMMITTEE OF THE REIT MANAGER

ELDON, David Gordon (Chairman)
LO Ka Shui
SHEK Lai Him, Abraham

DISCLOSURES COMMITTEE OF THE REIT MANAGER

LEE Ching Ming, Adrian (Chairman)
LO Ka Shui
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

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Knight Frank Petty Limited

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