

CHAMPION REIT

INTERIM REPORT 中期報告 2010



Champion Real Estate Investment Trust (stock code 2778)
is a Hong Kong collective investment scheme authorised under section 104 of
the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)



Champion REIT
冠君產業信託

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 OBJECTIVE

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

GLOBAL BEST PRACTICES...

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

...AND STANDARDS

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

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CORPORATE INFORMATION

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
23 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2879 1288
Fax: (852) 2827 1338
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

UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel : (852) 2862 8628
Fax : (852) 2529 6087
Email: hkinfo@computershare.com.hk

WEBSITE

www.ChampionReit.com

STOCK CODE

2778

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2010

Key Financial Figures	1st Half FY2010	1st Half FY2009	% Change
	HK\$ million	HK\$ million	
Total Revenue	\$959	\$1,031	-7.0%
Property Operating Expenses	\$179	\$155	+15.5%
Net Property Income	\$780	\$877	-11.0%
Profit After Tax	\$858	\$2,691	-68.1%
Distributable Income	\$574	\$676	-15.1%
Distribution Amount	\$530	\$609	-13.0%
Gross Value of Portfolio	\$45,302	\$43,044	+5.2%

Ratios and Per Unit Figures	1st Half FY2010	1st Half FY2009	% Change
	HK\$	HK\$	
Distribution per Unit	HK\$0.1079	HK\$0.1304	-17.3%
Net Asset Value per Unit	HK\$5.72	HK\$5.69	+0.5%
Gearing Ratio	31.3%	33.3%	-2.0% ¹
Expense Ratio	18.7%	15.0%	+3.7% ¹

Notes:

1 Absolute change used for figures stated in percentages.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

Total Revenue for the first six months of 2010 was HK\$959 million. This was a decrease of 7% from HK\$1,031 million for the first six months of 2009. The decrease was a lagging reflection of the downturn in the Central office market during the global financial crisis in 2008 and 2009, which caused the occupancy level at Citibank Plaza to fall by 11 percentage points from 95% in June 2009. The Langham Place properties on the other hand were relatively unaffected by the crisis and served to mitigate the impact of decreasing Citibank Plaza revenue.

Net Property Income decreased 11% to HK\$780 million for the Period. In addition to the 7% fall in revenue, operating expenses also increased 15.5%. At Citibank Plaza there were more leases in terms of floor area rolling over than last year, resulting in a corresponding increase in leasing service fees. The higher vacancies at Citibank Plaza also led to the absorption of more expenses such as government rates by the landlord. After taking into account these factors, the net income from Citibank Plaza decreased by 16.3%. At the Langham Place Office Tower there was also an increase in leasing service fees because of lease rollovers. However, as occupancy was maintained,

net income from that property was reduced, but by only 4%. At the Langham Place Mall expenses increased, mainly because the 2009 number was depressed by a write-back of prior-year over-provisions. Nevertheless, as there was rental growth at the Mall, it was able to report a moderate increase in net income.

Champion REIT's property portfolio was revalued at HK\$45.3 billion as of 30 June 2010. This represented a HK\$1.1 billion increase over the previous appraised value of HK\$44.2 billion. Over the past six months, the appraised value of Citibank Plaza increased by 2.3% while the appraised value of Langham Place increased by 2.6%. Capitalization rates used in valuing the Trust's properties remain unchanged and the increase in property value was purely a reflection of the rising commercial rents during the first half of 2010.

As a result of the increase in property values, there has been an improvement in the Gearing Ratio and Net Asset Value ("NAV") per Unit of the Trust. The current Gearing Ratio stands at 31.3% as compared to the last reported figure of 32.2%. NAV per Unit amounted to HK\$5.72, up from the HK\$5.67 reported at the end of 2009.

	1st Half FY2010	1st Half FY2009	% Change
	HK\$'000	HK\$'000	
Citibank Plaza			
Revenue	593,985	675,984	-12.1%
Operating Expenses	99,729	85,156	+17.1%
Net Property Income	494,256	590,828	-16.3%
Langham Place Office			
Revenue	134,514	135,085	-0.4%
Operating Expenses	26,412	22,652	+16.6%
Net Property Income	108,102	112,433	-3.9%
Langham Place Mall			
Revenue	230,399	220,365	+4.6%
Operating Expenses	52,615	47,005	+11.9%
Net Property Income	177,784	173,360	+2.6%

MANAGEMENT DISCUSSION AND ANALYSIS

	Citibank Plaza	Langham Place	Sub-total
Valuation (June 30)	HK\$ million	HK\$ million	HK\$ million
Office	29,022.0	5,839.6	34,861.6
Retail	335.0	9,212.5	9,547.5
Car Park	268.0	187.5	455.5
Miscellaneous	298.6	138.4	437.0
Total	29,923.6	15,378.0	45,301.6

Following the drop in Net Property Income, Distribution Amount fell 13% from HK\$609 million in first half 2009 to HK\$530 million in first half 2010. In line with the previous year, the Interim Distribution Amount was determined as 90% of the Distributable Income. Distribution per Unit has fallen more than the Distribution Amount because of additional units issued in the past twelve months, primarily

under the voluntary distribution reinvestment plan. As the Trust's capital position has strengthened considerably in the past 18 months, it will be discontinuing the distribution reinvestment plan for the time being. Proceeds received in 2010 through the Rental Stabilization Agreement of the three Citibank Plaza floors purchased in 2007 are being paid out as a discretionary distribution.

Property Portfolio

Average Monthly Passing Rents at Citibank Plaza (HK\$ per sq. ft. of lettable area)

Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10
90.07	89.64	89.04	88.30	88.22	88.01	84.81

Citibank Plaza

Citibank Plaza is one of the largest office complexes in Hong Kong's Central district with a lettable floor area of over 1.2 million sq. ft. It consists of two towers, which are intelligent buildings purpose built to satisfy the latest technical specifications of global financial institutions.

As a result of returning demand for office space, Grade-A rental rates in the Central district recovered by about 10% in the first half of 2010. Notwithstanding its relatively high vacancies, spot rents (the rental rate applicable to new leases) at Citibank Plaza had recovered from the year end levels of HK\$75 per sq. ft., to approximately HK\$80 per sq. ft by June 2010. During the Period, 10.7% of the leases in Citibank Plaza by floor area expired and a further

12.4% underwent rent review. The return of some floors by a major tenant upon the expiry of its lease in June 2010 has decreased the occupancy rate at Citibank Plaza to 83.5%. For comparison, occupancy was 87.6% at the beginning of this year and 94.9% twelve months ago. While spot rent rates have been strengthening from the lows of 2009, they have generally remained below the rent rates contracted up to three years ago. Thus, a lower average passing rent rate (the average rental rate of existing contracted tenancies) has resulted from leasing and rent review activities. The average passing rent rate was HK\$84.81 per sq. ft. in June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Average Monthly Passing Rents at the Langham Place Office Tower (HK\$ per sq. ft. of gross floor area)

Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10
26.82	26.77	26.80	27.06	27.01	27.04	26.98

Langham Place Office Tower

The Langham Place Office Tower is a 700,000 gross sq. ft. 59-storey office tower located within the Langham Place mixed-use development. It is a Grade-A office property in Mongkok, a major transport hub in Kowloon and a busy shopping district. The building focuses on tenants involved in the services and lifestyle industries.

Leasing conditions for the offices at Langham Place have been stable. The Office Tower had an occupancy rate of 98.3% as of 30 June 2010, notwithstanding the expiry of

22.6% of leases by floor area during the Period and the strong price competition from new supply in the peripheral districts in Kowloon East. Langham Place's direct accessibility from the Mongkok MTR station and its reputation as a proven quality development have been important factors in retaining tenants and maintaining a high occupancy. The spot rents have been maintained at HK\$24-32 per sq. ft. The passing rent has also remained within a narrow range.

Average Monthly Passing Rent Rate at Langham Place Mall (HK\$ per sq. ft. of lettable area, excluding turnover rent)

Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10
88.61	88.79	88.79	88.80	88.81	89.05	89.13

Langham Place Mall

Langham Place Mall is a 15-level, 600,000 gross sq. ft. 'vertical' mall focusing on mid-priced fashion, beauty products and food & beverage. It anchors the Langham Place development and offers a unique shopping experience through its distinct architectural features and its innovative promotion events. The Mall has built its reputation as a trendy social and retail destination for young and fashion-conscious shoppers.

Despite the opening of new shopping malls in nearby Tsim Sha Tsui last year, the fortuitous location of the Langham Place Mall and its creative promotion events have ensured its leadership position in its own niche. The Mall

enjoyed very high levels of foot traffic throughout the Period and remained virtually fully leased. With the recovering economy and the absence of last year's H1N1 influenza scare, the sales performance of the tenants improved significantly during the Period. As a result, the demand for retail spaces in the Mall has been strong, giving the landlord considerable pricing power. The impact of this positive trend on the Mall's income for the Period has however been constrained by the small amount of tenancy rollovers (approximately 1% by floor area). The Average Passing Rent Rate increased 0.6% from HK\$88.61 in December 2009 to HK\$89.13 for June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

In Central, the overall market vacancy has fallen to below 5% once again and the supply-demand dynamics are once again shifting in favour of the landlords. Financial institutions have reversed their downsizing trend as capital raising activities have returned with the rebound in the Hong Kong equity market. As they have largely backfilled their previously redundant spaces, their continuing hiring activities should create substantial incremental demand in the market. At the same time, a significant number of foreign fund management firms are setting up offices in Hong Kong as their investment weighting to this part of the world increases. On the other hand, no significant Grade-A office developments are scheduled for completion in Central before 2015. While rent rates have been recovering, they are still some way below the early 2008 peak. The consensus view is that there is considerable room for rent rates to recover further.

Higher levels of demand however will not translate immediately into an increase in revenue at Citibank Plaza. We continue to resist the allure of near term occupancy tied to long leases at terms which will substantially curb the landlord's rental upside for the long term. The vacancy rate at Citibank Plaza is expected to climb above 20% during the second half of 2010 as one tenant representing 6% of the floor area will be vacating in the third quarter. While the level of leasing enquiries and offers received have been increasing significantly over the past 6 months, and pricing competition among Central landlords has eased off considerably, larger leasing transactions tend to have longer gestation periods. Therefore we are expecting the vacancy rate to begin reversing its upward trend no sooner than the second quarter of 2011. The medium-term prospects of Citibank Plaza however will be supported by a fundamental shortage of new office supply in the vicinity, as prognosticated by the trend of rising spot rents at Citibank Plaza and other prime office buildings in Central.

At Langham Place we expect continued high levels of occupancy for the Office Tower. In the peripheral Kowloon East district, the initial wave of new buildings launched in 2008 has been substantially absorbed, thereby posing a somewhat lower pricing threat. The dominant subway location of Langham Place should be able to sustain the Office Tower's competitiveness. Though the upside in rentals may be curtailed by upcoming new peripheral supplies, we can expect a stable income contribution from the Office Tower. In the longer term we will seek growth by gradually shifting the weighting of tenant-mix from cost-sensitive occupiers in the trading and procurement sectors towards location-sensitive users in lifestyle and services trades who are generally willing to pay higher rents.

Although we have seen only a modest revenue improvement at the Langham Place Mall in the Period, it remains the most promising part of the Trust's property portfolio for 2010. While only 1% of the Mall by floor area has expired in the first half of 2010, a further 43% of the leases in the Mall are scheduled to undergo rollover in the second half. Backed by the strong sales growth in the Mall over the past two to three years, we have completed the negotiation on almost all those rollovers with a weighted average increase in rents in excess of 15% over the expiring rents. While some of the income gain will show in the second half of 2010, the full impact will be seen in 2011.

Champion REIT's results in the second half of 2010 will continue to reflect the lagging impact of the downturn in the Central office market in 2009. An improved performance at the Langham Place Mall is expected to mitigate, but not offset, the contraction in income of Citibank Plaza. Looking further ahead, income and distributions are set to recover as rents are on the rise in Central and the incremental income from Langham Place Mall is realised.

By Order of the Board
Eagle Asset Management (CP) Limited
(as manager of Champion Real Estate Investment Trust)
Lo Ka Shui
Chairman

Hong Kong, 16 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Distributions

Distribution Amount

The Distribution Amount of Champion REIT for the six months ended 30 June 2010 was HK\$530,362,000, calculated as 90% of Champion REIT's total distributable income of HK\$573,803,000 for the Period plus additional amount of HK\$13,939,000 at the discretion of REIT Manager.

For the same period last year, the Distribution Amount of Champion REIT was HK\$608,608,000, calculated as 90% of Champion REIT's total distributable income of HK\$676,231,000 for such period.

Distribution per Unit

The distribution per unit for the six months ended 30 June 2010 was HK\$0.1079. This represents an annualised distribution yield of 5.94% based on the closing price of HK\$3.63 as at 30 June 2010. 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 first half of year 2010 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 interim distribution per unit for the six months ended 30 June 2010.

Closure of Register of Unitholders

The Register of Unitholders will be closed from Monday, 6 September 2010 to Thursday, 9 September 2010 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The 2010 Interim Distribution will be payable on 4 October 2010 to Unitholders whose names appear on the Register of Unitholders on Record Date.

In order to qualify for the 2010 Interim Distribution, 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 Friday, 3 September 2010.

Debt Profile

As at 30 June 2010, 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, maturing 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, maturing in June 2013

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

Borrowings as at 30 June 2010		
	Amount	% of Total
Maturity	HK\$ million	
Due in the first year	7,765	52.2
Due in the second year	—	—
Due in the third year	7,114	47.8
Total	14,879	100.0

The term loan and convertible bonds that are falling due in 2011 are secured by properties with a conservative loan to value ratio of 26%. Refinancing arrangements will be made shortly.

During the period under review, Champion REIT had interest rate swaps ("IRS") with a total notional amount of HK\$7,000 million for the purpose of swapping the Trust's floating rate interest payments under the HK\$7,000 million term loan into fixed rate interest payments. The fixed rate for these IRS is 2.8225% per annum and both the loan and IRS will mature in May 2011. The HK\$2,454 million term loan has an interest rate of HIBOR plus 0.59% per annum. As at 30 June 2010, 84% of the Trust's debt (including the convertible bonds) had fixed interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2010, the two outstanding convertible bonds issued by two controlled entities of the Trust have the following features:

Convertible Bonds	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\$3.69

As at 30 June 2010, total gross assets of the REIT were HK\$47,538.5 million. Therefore, the gearing ratio, or total borrowings as a percentage of gross assets was 31.3%. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 40.8%.

Net Assets Attributable To Unitholders

As at 30 June 2010, net assets attributable to unitholders was HK\$28,131 million or HK\$5.72 per unit, a 57.6% premium to the closing unit price of HK\$3.63 as at 30 June 2010.

Cash Position

As at 30 June 2010, Champion REIT had total undrawn bank loan facilities of HK\$700 million and cash balance of HK\$2,056.9 million. Through its voluntary distribution reinvestment plan for the final 2008 distribution period, interim 2009 distribution period and final 2009 distribution period, the Trust has managed to retain over HK\$911 million to strengthen its financial position.

Taking into consideration the financial resources available to the REIT, Champion has sufficient liquid assets to satisfy its working capital and operating requirements.

Pledge of Assets

As at 30 June 2010, properties of Champion REIT with a fair value of HK\$45,301.6 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 issuers of the convertible bonds or pledged to secure banking facilities granted to the REIT.

Commitments

As at 30 June 2010, 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 car parking spaces in Citibank Plaza, the actual New Property Income (as defined in the Agreement) for the six-month period ended 30 June 2010 was equivalent to HK\$17,053,000. 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\$13,939,000 arose for the six-month period ended 30 June 2010. Accordingly, a sum of approximately HK\$13,939,000 was paid to the Trust on 30 June 2010.

CORPORATE GOVERNANCE

Corporate Governance

Principles of Corporate Governance

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.

Authorisation Structure and Governance Structure

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the Securities and Futures Commission ("SFC") under section 104 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO") and regulated by the SFC pursuant to the provisions of the SFO and the Code on Real Estate Investment Trusts (the "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 Chief Executive Officer and Executive Director, Mr. Choo Chong Yao, Patrick, the Chief Investment Officer and Mr. Kwong Chi Kwong, the Chief Operating Officer are the responsible officers of the REIT Manager pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code.

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

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 in accordance with the Trust Deed (as defined below) 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, a Third Supplemental Deed dated 9 March 2009 and a Fourth Supplemental Deed dated 23 July 2010.

The Fourth Supplemental Deed dated 23 July 2010 was entered into between the REIT Manager and the Trustee to amend the Trust Deed. The sole purpose of the amendments was to comply with the recent revisions to the REIT Code effective on 25 June 2010 made by the SFC in order to, among other things, bring the requirements regarding the appointment and removal of trust manager in line with those applicable to directors of listed companies and extend the application of the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC to SFC-authorized real estate investment trusts.

Board of Directors of the REIT Manager

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.

The Board presently comprises eight members, three of whom are Independent Non-executive Directors.

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

CORPORATE GOVERNANCE

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 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.

Compliance

During the six months ended 30 June 2010, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

The REIT Manager has adopted the Code Governing Dealings in Securities by the Management Persons ("Securities Dealings Code") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Management Persons include directors, executive officers and the company secretary of the REIT Manager. The REIT Manager also updates the Securities Dealings Code from time to time in accordance with the Listing Rules.

The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standard set out in the Securities Dealings Code during the six months ended 30 June 2010.

Review of Interim Results

The unaudited interim results of Champion REIT for the six months ended 30 June 2010 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

Connected Party Transactions

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

Connected Party Transactions With the Great Eagle Connected Persons Group and/or The SFK Connected Persons Group

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons for the six months ended 30 June 2010 ("Period").

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

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

Connected Party Transactions — Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	197,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	1,457,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	4,813,000 ³
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	1,938,000 ⁵
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	702,000 ⁷
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁸	3,300,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁹ and car parking fee	1,818,000 ¹⁰
Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction ¹¹	1,502,000 ¹²
China Mobile Hong Kong Company Limited	Associate of a Director ¹³	Licence fee ¹⁴	112,000
Total			15,839,000

CORPORATE GOVERNANCE

Connected Party Transactions — Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	163,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	699,000 ¹⁵
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income ⁴	297,000 ¹⁶
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Building management fee income ⁶	82,000 ¹⁷
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁸	1,569,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁹	217,000 ¹⁸
Toptech Co. Limited	Subsidiary of Great Eagle	Building management fee income ¹¹	251,000 ¹⁹
Total			3,278,000

Connected Party Transactions — Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	107,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	167,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	340,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee expense	27,877,000 ²⁰
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Marketing expense	28,000
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	Subsidiary of Great Eagle	Marketing expense	12,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Cleaning services	5,000
Total			28,537,000

Connected Party Transactions — Insurance Agency Arrangement (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
The Great Eagle Insurance Agency Limited	Subsidiary of Great Eagle	Insurance agency arrangement	629,000
Total			629,000

CORPORATE GOVERNANCE

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 Period 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 Period end date.
- 3 These rental incomes were derived from Pre-Existing Agreements with Langham Hotels International Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 4 A security deposit by way of a bank guarantee of approximately HK\$1,154,000 and a damage deposit of HK\$15,000 provided by Langham Place Hotel (HK) Limited were held by the Trust as at the Period end date.
- 5 These rental incomes were derived from a Pre-Existing Agreement with Langham Place Hotel (HK) Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 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 until the termination of tenancy on 23 May 2010.
- 7 These rental incomes were derived from a Pre-existing Agreements with Main St. Cafe Hong Kong Company Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 8 A security deposit by way of a bank guarantee of approximately HK\$2,585,000 provided by Strong Dynamic Limited was held by the Trust as at the Period 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 Period end date.
- 10 Out of this HK\$1,818,000, an amount of approximately HK\$823,000 was rental income derived from a Pre-Existing Agreement with The Great Eagle Properties Management Company, Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 11 A security deposit of approximately HK\$869,000 provided by Toptech Co. Limited was held by the Trust as at the Period end date.
- 12 These rental incomes were derived from a Pre-Existing Agreement with Toptech Co. Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 13 China Mobile Hong Kong Company Limited is an associate of Dr. Lo Ka Shui (directors of Great Eagle and the REIT Manager) by virtue of his being an independent non-executive director of China Mobile Limited, the holding company of China Mobile Hong Kong Company.
- 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 Period end date.
- 15 These building management fee incomes were derived from a Pre-Existing Agreement with Langham Hotels International Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 16 These building management fee incomes were derived from Pre-Existing Agreement with Langham Place Hotel (HK) Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 17 These building management fee incomes were derived from a Pre-Existing Agreement with Main St. Cafe Hong Kong Company Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 18 Out of this HK\$217,000, an amount of approximately HK\$145,000 was building management fee derived from a Pre-Existing Agreement with The Great Eagle Properties Management Company, Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 19 These building management fee incomes were derived from a Pre-Existing Agreement with Toptech Co. Limited as more particularly described in the section headed "Pre-Existing Agreements" below.
- 20 Out of this HK\$27,877,000, approximately HK\$27,051,000 represented the amount of reimbursement paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$826,000 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\$58,481,000 under the approved budget for the year 31 December 2010; so as to enable the Mall Estate Manager to make payment of mall management expenses.

CORPORATE GOVERNANCE

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 among the connected parties transactions with the Great Eagle Connected Persons Group and/or the SFK Connected Persons as disclosed above and they are dealt with as if they were connected party transactions which are subject to annual limits of the waiver from strict compliance with the requirements under Chapter 8 of the REIT Code:-

Name/Description of Agreement	Name of Party	Relationship with Champion REIT	Nature of Transaction	Incomes/ Expenses for the Period HK\$
Tenancy Agreements	Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	5,512,000
Tenancy Agreement	Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	2,235,000
Tenancy Agreement	Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	784,000
Tenancy Agreement	The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	969,000
Tenancy Agreement	Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	1,753,000
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	27,051,000
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	826,000

CORPORATE GOVERNANCE

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

Name/Description of Agreement	Name of Party	Relationship with Champion REIT	Nature of Transaction	Incomes/ Expenses for the Period 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	835,000
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	15,311,000
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	13,000,000
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services	42,568,000
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	44,860,000

Notes:

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

CORPORATE GOVERNANCE

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\$93,617,000 being 12% of the net property income of the Champion REIT for such services rendered during the Period are to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

The REIT Manager has notified to the Trustee in writing and elected for the REIT Manager's fee arising from Langham Place Properties in the amount of HK\$34,306,000 to be paid in the form of cash. The portion of REIT Manager's fee arising from Citibank Plaza in the amount of approximately HK\$59,311,000 will be paid in form of Units.

Connected Party Transactions with the Trustee and/or the Trustee Connected Persons Group

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

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

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

Connected Party Transactions — Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/Expense for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	180,000
HSBC Group	Trustee Connected Persons	Bank charge	21,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest/expense	31,066,000

CORPORATE GOVERNANCE

Connected Party Transactions — Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	23,429,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income ²	2,014,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction ²	156,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	22,000
Total			25,621,000

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 30 June 2010); and (ii) HK\$2,954 million (of which HK\$2,454 million term loan was outstanding as at 30 June 2010). Syndicates of lenders of both facilities include Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited.
- 2 Security deposits in an aggregate amount of approximately HK\$9,078,000 provided by the HSBC Group were held by the Trust as at the Period end date.

Connected Party Transactions — Others

During the Period, the trustee fee of approximately HK\$3,985,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

Connected Party Transactions with Other Connected Persons

During the Period, an amount of HK\$100,000 was paid to Knight Frank Petty Limited, for the valuation fees, in their capacity as the principal valuer of Champion REIT.

Note: All figures presented in this section headed "Connected Party Transactions" have been rounded to the nearest thousand.

CORPORATE GOVERNANCE

Disclosure of Interests

Holdings of Connected Persons

As at 30 June 2010, 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 and/or underlying units of Champion REIT:-

Name	Number of Units and/or Underlying Units Held	Percentage of Unitholdings ⁹
Top Domain International Limited	1,420,416,628 ¹	28.89
Keen Flow Investments Limited	913,580,933 ¹	18.58
Bright Form Investments Limited	634,146,341 ^{1,6}	12.90
Eagle Asset Management (CP) Limited	170,822,973 ^{1,2}	3.47
Fine Noble Limited	14,578,503 ¹	0.29
Great Eagle Nichemusic Limited	1,129,743 ¹	0.02
Lee Ching Ming, Adrian	73,250 ³	0.001
Fortune Mega Investments Limited	163,936,151 ⁴	3.33
Wing Tai Corporation Limited	75,980,434 ⁵	1.54
HSBC Group	1,185,578 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 33.05% interest in Great Eagle as at 30 June 2010. 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 16.67% voting rights in the capital of Great Eagle as at 30 June 2010.

Changes in unitholdings of these companies during the six months ended 30 June 2010 are set out in the following table:

Name	Units held as at 31 December 2009	Change in Unitholdings
Keen Flow Investments Limited	882,580,105	+31,000,828
Bright Form Investments Limited	610,966,057	+23,180,284
Eagle Asset Management (CP) Limited	136,832,299	+33,990,674

- 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.

CORPORATE GOVERNANCE

- 3 Mr. Lee Ching Ming, Adrian is a connected person by virtue of his being a director of the REIT Manager. His unitholdings increased by 2,641 Units as compared with the position as at 31 December 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 31 December 2009.
- 5 These Units were directly held by Wing Tai Corporation Limited. The number of Units held by it increased by 2,739,905 Units as compared with the position as at 31 December 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 "Holdings of Directors and Chief Executive of the REIT Manager, the REIT Manager and Substantial Unitholders".
- 6 The 634,146,341 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 23,180,284 Units as compared with the position as at 31 December 2009 due to an adjustment on conversion price of the convertible bonds due 2013 from HK\$3.83 to HK\$3.69 per Unit with effect from 25 May 2010.
- 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 the 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 the Trustee and 17,578 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 633 Units as compared with the position as at 31 December 2009.
- 8 This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,915,098,931 as at 30 June 2010 and rounded down to 2 decimal places.

Save as disclosed in the notes above, there was no change in the number of Units held by the connected persons during the period from 1 January 2010 to 30 June 2010.

CORPORATE GOVERNANCE

Holdings of Directors and Chief Executive of the REIT Manager, the REIT Manager and Substantial Unitholders

As at 30 June 2010, 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 Stock Exchange pursuant to the divisions of Part XV of the SFO:

(a) Units and Underlying Units

Name	Number of Units and/or Underlying Units Held ⁴	Percentage of Unitholdings ⁵
Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	3,154,675,121 ¹	64.18
Cheng Wai Chee, Christopher	89,530,569 ²	1.82
Lee Ching Ming, Adrian	73,250	0.001
REIT Manager		
Eagle Asset Management (CP) Limited	170,822,973 ¹	3.47
Substantial Unitholders		
Great Eagle Holdings Limited	3,154,675,121 ¹	64.18
HSBC International Trustee Limited	3,157,483,770 ¹	64.24
Top Domain International Limited	1,420,416,628	28.89
Keen Flow Investments Limited	913,580,933	18.58
Bright Form Investments Limited	634,146,341	12.90
Government of Singapore Investment Corporation Pte Ltd.	252,878,000 ³	5.14

(b) Debentures⁶

Name	Nominal Value of Debentures
Director of the REIT Manager	
Lo Ka Shui	HK\$2,340,000,000 ⁷
Cheng Wai Chee, Christopher	HK\$50,000,000 ⁸

Notes:

- 1 Great Eagle was deemed to be interested in a total of 3,154,675,121 Units held by its controlled corporations comprising:
 - (a) 1,420,416,628 Units held by Top Domain International Limited directly;
 - (b) 913,580,933 Units held by Keen Flow Investments Limited directly;
 - (c) 634,146,341 Units being underlying Units of the convertible bonds due 2013 held by Bright Form Investments Limited;
 - (d) 170,822,973 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.

CORPORATE GOVERNANCE

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 33.05% 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 16.67% voting rights 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) 75,980,434 Units were directly held by Wing Tai Corporation Limited, being his indirect controlled corporations; and
 - (b) 13,550,135 Units were underlying Units of the convertible bonds due 2013 held by a trust of which he was a beneficiary.
- 3 Government of Singapore Investment Corporation Pte Ltd. was interested in these Units in the capacity as investment manager.
- 4 Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.
- 5 This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,915,098,931 as at 30 June 2010 and rounded down to 2 decimal places.
- 6 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 of Champion REIT).
- 7 These interests in 2008 Convertible Bonds convertible into 634,146,341 Units were beneficially held by Great Eagle as mentioned in note 1(c) above.
- 8 These interests in 2008 Convertible Bonds convertible into 13,550,135 were held by a trust of which Mr. Cheng Wai Chee, Christopher was a beneficiary as mentioned in note 2(b) above.

Save as disclosed above, as at 30 June 2010, 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 Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the 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, 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 notified to the REIT Manager and the 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 Securities by the Management Persons" as adopted by the REIT Manager.

CORPORATE GOVERNANCE

Other Information

Real Estate Sale and Purchase

Champion REIT did not enter into any real estate sale and purchase transactions during the Period.

New Units Issued

As at 30 June 2010, the total number of issued Units of Champion REIT was 4,915,098,931. As compared with the position of 31 December 2009, a total of 91,564,142 new Units were issued during the Period in the following manner:

- On 9 March 2010, 27,830,682 new Units were issued to the REIT Manager at the price of HK\$3.59 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\$99,912,000 payable by Champion REIT for the six months ended 31 December 2009.

- On 25 May 2010, 63,733,460 new Units were issued at the price of HK\$3.4884 per Unit pursuant to the distribution reinvestment arrangement (the "Arrangement") in respect of the 2009 Final Distribution. Details of the Arrangement were set out in the announcement published by Champion REIT on 26 April 2010 and the circular to Unitholders dated 29 April 2010.

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 summarized the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 30 June 2010:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	—	—	13
Leasing	4	11	—
Marketing and promotion	—	9	—
Property management	54	133	—
Contractors/technical staff	130	280	—
Total	188	433	13

Purchase, Sale or Redemption of Champion REIT's Units

A general mandate for repurchase of Units in the open market was given by Unitholders at the annual general meeting held on 26 April 2010. During the six months ended 30 June 2010, neither the Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

Public Float

As far as the REIT Manager is aware, as at the date of this report, 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.

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

Introduction

We have reviewed the interim financial information set out on pages 26 to 56 which comprises the condensed consolidated statement of financial position of Champion Real Estate Investment Trust ("Champion REIT") and its controlled entities as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Manager of Champion REIT is responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Rental income	4	872,824	942,852
Building management fee income		79,510	83,839
Rental related income		6,564	4,743
Total revenue		958,898	1,031,434
Property operating expenses	5	(178,756)	(154,813)
Net property income		780,142	876,621
Interest income		1,431	1,314
Manager's fee	6	(93,617)	(105,194)
Trust and other expenses		(7,014)	(9,185)
Increase in fair value of investment properties	13	947,450	2,967,192
Change in fair value of derivative components of convertible bonds	20	(195,503)	(244,641)
Change in fair value of rental stabilisation arrangement	14	233	2,446
Gain on repurchase of own convertible bonds		—	2,062
Finance costs	7	(374,352)	(381,437)
Profit before tax and distribution to unitholders	8	1,058,770	3,109,178
Income taxes	9	(200,376)	(417,714)
Profit for the period, before distribution to unitholders		858,394	2,691,464
Distribution to unitholders		(530,362)	(608,608)
Profit for the period, after distribution to unitholders		328,032	2,082,856
Basic earnings per unit	12	HK\$0.18	HK\$0.60
Diluted earnings per unit	12	HK\$0.18	HK\$0.53

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Profit for the period, after distribution to unitholders	328,032	2,082,856
Cash flow hedge:		
Gains (losses) arising during the period	35,430	(36,878)
Less: Reclassification adjustments for gains included in the profit or loss	85,629	98,253
	121,059	61,375
Total comprehensive income for the period	449,091	2,144,231

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Non-current assets			
Investment properties	13	45,301,600	44,240,800
Rental stabilisation arrangement	14	31,235	44,943
Loan receivables	15	—	52,737
Total non-current assets		45,332,835	44,338,480
Current assets			
Trade and other receivables	16	95,197	103,107
Loan receivables	15	53,644	—
Bank balances and cash	17	2,056,870	1,832,105
Total current assets		2,205,711	1,935,212
Total assets		47,538,546	46,273,692
Current liabilities			
Trade and other payables	18	1,152,660	1,050,000
Deposits received		332,407	331,380
Tax liabilities		58,327	48,224
Distribution payable		530,362	633,339
Secured term loans	19	6,993,854	—
Convertible bonds	20	840,368	—
Derivative financial instruments	21	114,530	—
Total current liabilities		10,022,508	2,062,943
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loans	19	2,444,523	9,433,278
Convertible bonds	20	5,761,315	6,261,830
Derivative financial instruments	21	—	149,960
Deferred tax liabilities	22	1,179,567	1,006,379
Total non-current liabilities, excluding net assets attributable to unitholders		9,385,405	16,851,447
Total liabilities, excluding net assets attributable to unitholders		19,407,913	18,914,390
Net assets attributable to unitholders		28,130,633	27,359,302
Number of units in issue ('000)	23	4,915,099	4,823,535
Net asset value per unit	24	HK\$5.72	HK\$5.67

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2010

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2009	19,759,751	(516,611)	5,752,658	(1,167,344)	23,828,454
Profit for the period, before distribution to unitholders	—	—	—	2,691,464	2,691,464
Distribution	—	—	—	(608,608)	(608,608)
Cash flow hedges	—	61,375	—	—	61,375
Total comprehensive income for the period	—	61,375	—	2,082,856	2,144,231
Issue of units	354,568	—	—	—	354,568
Amount received pursuant to Distribution Waiver Amendment (note)	—	—	5,285	—	5,285
Net assets attributable to unitholders as at 30 June 2009	20,114,319	(455,236)	5,757,943	915,512	26,332,538
At 1 January 2010	20,651,833	(385,736)	5,757,943	1,335,262	27,359,302
Profit for the period, before distribution to unitholders	—	—	—	858,394	858,394
Distribution	—	—	—	(530,362)	(530,362)
Cash flow hedges	—	121,059	—	—	121,059
Total comprehensive income for the period	—	121,059	—	328,032	449,091
Issue of units (note 23)	322,240	—	—	—	322,240
Net assets attributable to unitholders as at 30 June 2010	20,974,073	(264,677)	5,757,943	1,663,294	28,130,633

Note

Pursuant to the Deed of Amendment of Distribution Entitlement Waiver Deed dated 14 February 2008 ("Distribution Waiver Amendment Deed"), Top Domain International Limited, a wholly owned subsidiary of Great Eagle Holdings Limited ("Great Eagle"), ceased the undertaking made under the Distribution Entitlement Waiver Deed dated 26 April 2006 in respect of distribution periods in 2008 for a consideration of HK\$86,185,000, of which HK\$5,285,000 was received and recognised during the six months ended 30 June 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	1,058,770	3,109,178
Adjustments for:		
Increase in fair value of investment properties	(947,450)	(2,967,192)
Change in fair value of derivative components of convertible bonds	195,503	244,641
Change in fair value of rental stabilisation arrangement	(233)	(2,446)
Gain on repurchase of own convertible bonds	—	(2,062)
Manager's fee paid and payable in units	59,311	105,194
Interest income	(1,431)	(1,314)
Finance costs	374,352	381,437
Operating cash flow before movements in working capital	738,822	867,436
Decrease in trade and other receivables	8,100	21,745
Increase (decrease) in trade and other payables	29,012	(19,733)
Increase (decrease) in deposits received	1,027	(49)
Cash generated from operations	776,961	869,399
Interest paid	(138,611)	(156,911)
Hong Kong Profits Tax paid	(17,085)	(1,120)
NET CASH FROM OPERATING ACTIVITIES	621,265	711,368
INVESTING ACTIVITIES		
Interest received	334	708
Cash received from rental stabilisation arrangement	13,941	3,915
Addition of investment properties	—	(28,208)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	14,275	(23,585)
FINANCING ACTIVITIES		
Distribution paid	(410,775)	(364,432)
Repurchase of own convertible bonds	—	(18,400)
Proceeds received pursuant to the Distribution Waiver Amendment Deed	—	5,285
NET CASH USED IN FINANCING ACTIVITIES	(410,775)	(377,547)
NET INCREASE IN CASH AND CASH EQUIVALENTS	224,765	310,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,832,105	1,115,408
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	2,056,870	1,425,644

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. General

Champion Real Estate Investment Trust ("Champion REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units have been listed on The Stock Exchange of Hong Kong Limited. 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 Eagle Asset Management (CP) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"), and the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong. The Code was amended on 25 June 2010 and accordingly the Trust Deed was amended on 23 July 2010 to comply with the recent revisions to the Code.

The principal activity of Champion REIT and its controlled entities (collectively referred to 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 condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of Champion REIT.

2. Principal Accounting Policies

Basis of preparation

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

Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

2. Principal Accounting Policies (continued)

Principal accounting policies (continued)

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 new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Manager, for the purpose of resource allocation and performance assessment is more specifically focused on the operating results of the two investment properties, namely Citibank Plaza and Langham Place.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

3. 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 period under review.

For the six months ended 30 June 2010

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Segment revenue	593,985	364,913	958,898
Segment results - Net property income	494,256	285,886	780,142
Interest income			1,431
Manager's fee			(93,617)
Trust and other expenses			(7,014)
Increase in fair value of investment properties			947,450
Change in fair value of derivative components of convertible bonds			(195,503)
Change in fair value of rental stabilisation arrangement			233
Finance costs			(374,352)
Profit before tax and distribution to unitholders			1,058,770
Income taxes			(200,376)
Profit for the period, before distribution to unitholders			858,394
Distribution to unitholders			(530,362)
Profit for the period, after distribution to unitholders			328,032
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager's fee	(59,311)	(34,306)	(93,617)
Increase in fair value of investment properties	551,850	395,600	947,450

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

3. Segment Information (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2009

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Segment revenue	675,984	355,450	1,031,434
Segment results - Net property income	590,828	285,793	876,621
Interest income			1,314
Manager's fee			(105,194)
Trust and other expenses			(9,185)
Increase in fair value of investment properties			2,967,192
Change in fair value of derivative components of convertible bonds			(244,641)
Change in fair value of rental stabilisation arrangement			2,446
Gain on repurchase of own convertible bonds			2,062
Finance costs			(381,437)
Profit before tax and distribution to unitholders			3,109,178
Income taxes			(417,714)
Profit for the period, before distribution to unitholders			2,691,464
Distribution to unitholders			(608,608)
Profit for the period, after distribution to unitholders			2,082,856
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager's fee	(70,899)	(34,295)	(105,194)
Increase in fair value of investment properties	2,192,792	774,400	2,967,192

Segment assets

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2010, the fair value of Citibank Plaza and Langham Place was HK\$29,923,600,000 (31.12.2009: HK\$29,258,400,000) and HK\$15,378,000,000 (31.12.2009: HK\$14,982,400,000), respectively.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

4. Rental Income

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Rental income	859,855	929,241
Car park income	12,969	13,611
	872,824	942,852

5. Property Operating Expenses

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Building management fees	88,243	87,222
Car park operating expenses	3,392	2,977
Government rent and rates	29,492	25,675
Legal cost and stamp duty	2,521	273
Promotion expenses	7,734	4,845
Property and lease management service fee	26,193	28,464
Property miscellaneous expenses	1,623	1,745
Rental commission	18,889	2,584
Repairs and maintenance	669	1,028
	178,756	154,813

6. Manager's Fee

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2010, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2010 as remuneration.

In relation to certain properties of Citibank Plaza acquired upon listing, the fee payable to the Manager shall be paid in the form of units until 31 December 2010. For certain properties of Citibank Plaza acquired in January 2007 and Langham Place acquired in June 2008, the Manager has elected to receive 12% of its fee in the form of units and cash, respectively, for the six months ended 30 June 2010. In prior interim period, the Manager's fee was settled by issue of units.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

7. Finance Costs

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	111,482	126,123
Interest expense on convertible bonds wholly repayable within five years	175,300	167,112
Release of cumulative loss on hedging instrument	86,549	87,181
Other borrowing costs	1,021	1,021
	374,352	381,437

8. Profit Before Tax and Distribution to Unitholders

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	1,350	1,190
Trustee's fee	3,985	3,713
Principal valuer's fee	100	93
Other professional fee and charges	1,492	2,849
Roadshow and public relations expenses	227	—
Bank charges	38	34

9. Income Taxes

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	27,188	40,632
Deferred tax		
– Current year	173,188	377,082
	200,376	417,714

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

10. Total Distributable Income

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

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Profit for the period, before distribution to unitholders	858,394	2,691,464
Adjustments:		
Manager's fees to be payable in units	59,311	105,194
Increase in fair value of investment properties	(947,450)	(2,967,192)
Change in fair value of derivative components of convertible bonds	195,503	244,641
Change in fair value of rental stabilisation arrangement	(233)	(2,446)
Non-cash gain	(907)	(876)
Non-cash finance costs	235,997	228,364
Deferred tax	173,188	377,082
Total distributable income	573,803	676,231

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

11. Distribution Statement

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Total distributable income (Note 10)	573,803	676,231
As a percentage of total distributable income (note (i))	90%	90%
Total distributable income to be paid to the unitholders	516,423	608,608
Additional amount at the discretion of Manager (note (i))	13,939	—
Total distributions to be paid to the unitholders	530,362	608,608
Distribution per unit to be paid to the unitholders (note (ii))	HK\$0.1079	HK\$0.1304

Notes:

- (i) For the six months ended 30 June 2010, the Manager has determined that Champion REIT shall distribute 90% (1.1.2009 to 30.6.2009: 90%) of total distributable income as the distributable amount, plus an additional amount of HK\$13,939,000 out of the amount received according to the rental stabilisation arrangement (see note 14) (1.1.2009 to 30.6.2009: nil) at the discretion of Manager.
- (ii) The interim distribution per unit of HK\$0.1079 for the six months ended 30 June 2010 is calculated based on the interim distribution to be paid of HK\$530,362,000 for the period and 4,915,098,931 units in issue as at 30 June 2010. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 9 September 2010, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 4 October 2010.

The interim distribution per unit of HK\$0.1304 for the six months ended 30 June 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 interim distribution was paid to unitholders on 13 October 2009.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

12. Basic and Diluted Earnings Per Unit

	2010 HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period, before distribution to unitholders for the purpose of basic earnings per unit	858,394	2,691,464
Effect of dilutive potential units:		
Interest in convertible bonds	—	167,112
Change in fair value of derivative components of convertible bonds	—	244,641
Gain on repurchase of own convertible bonds	—	(2,062)
Profit for the period, before distribution to unitholders for the purpose of diluted earnings per unit	858,394	3,101,155
Number of units		
Weighted average number of units for the purpose of basic earnings per unit	4,854,091,893	4,487,731,193
Effect of dilutive potential units:		
Units to be issued in respect of Manager's fee	4,051,186	10,268,689
Convertible bonds	—	1,372,172,459
Weighted average number of units for the purpose of diluted earnings per unit	4,858,143,079	5,870,172,341
Basic earnings per unit	HK\$0.18	HK\$0.60
Diluted earnings per unit	HK\$0.18	HK\$0.53

For the six months ended 30 June 2010, the computation of diluted earnings per unit did not assume the units to be issued in respect of the conversion of outstanding convertible bonds since such conversion would result in an increase in earnings per unit.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

13. Investment Properties

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	44,240,800	40,049,000
Additions during the period/year	113,350	35,465
Increase in fair value during the period/year	947,450	4,156,335
At the end of the period/year	45,301,600	44,240,800

The fair value of the Group's investment properties at 30 June 2010 and 31 December 2009 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited ("Knight Frank"), independent qualified professional valuers not connected to the Group. 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 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 at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. The capitalisation rates for the retail and office accommodation range from 4.2% to 4.7% (31.12.2009: 4.2% to 4.7%) and 4.0% to 4.2% (31.12.2009: 4.0% to 4.2%), respectively.

The Group's property interests held under operating leases, which are located in Hong Kong under medium-term leases, are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties have been mortgaged as security for credit facilities and convertible bonds as detailed in notes 19 and 20, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

14. Rental Stabilisation Arrangement

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

During the period, the Group received an aggregate amount of HK\$13,941,000 (1.1.2009 to 30.6.2009: HK\$3,915,000), which represents the shortfall of New Property Rental of HK\$13,939,000 (1.1.2009 to 30.6.2009: HK\$3,910,000) and interest on the escrow account of HK\$2,000 (1.1.2009 to 30.6.2009: HK\$5,000).

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 period of HK\$233,000 (1.1.2009 to 30.6.2009: HK\$2,446,000) was credited to condensed consolidated income statement. At 30 June 2010 and 31 December 2009, 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 years historical rent index and the duration of the Arrangement.

15. Loan Receivables

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Loan receivables	53,644	52,737
Analysed for reporting purpose as:		
Amount shown under non-current assets	—	52,737
Amount shown under current assets	53,644	—
	53,644	52,737

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%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

16. Trade and Other Receivables

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Trade receivables	4,367	11,744
Deferred rent receivables	39,701	37,269
Deposits, prepayments and other receivables	51,129	54,094
	95,197	103,107

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:

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
0 - 3 months	4,367	11,744

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$4,367,000 (31.12.2009: HK\$11,744,000) which are past due within three 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

17. Bank Balances and Cash

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Cash on hand	6	14
Cash at bank	134,249	201,174
Time deposits	1,922,615	1,630,917
	2,056,870	1,832,105

Bank balances carry interest at market rate of 0.001% to 0.01% per annum (31.12.2009: 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 0.15% to 0.4% per annum (31.12.2009: 0.005% to 0.04% per annum).

18. Trade and Other Payables

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Trade payables	52,186	37,904
Rental received in advance	5,805	29,887
Other payables	131,194	132,084
Accrued stamp duty	963,475	850,125
	1,152,660	1,050,000

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31.12.2009: 3.75%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing. The increase in accrued stamp duty on such legal assignment, representing additional transaction cost directly attributable to the purchase of these investment properties, was added to the carrying amount of investment properties during the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

18. Trade and Other Payables (continued)

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

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
0 - 3 months	52,186	37,904

19. Secured Term Loans

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Secured term loans	9,454,000	9,454,000
Loan front-end fee	(15,623)	(20,722)
	9,438,377	9,433,278
The maturity of the above secured term loans is as follows:		
Within one year	6,993,854	—
More than one year but not exceeding two years	—	6,990,380
More than two years but not exceeding five years	2,444,523	2,442,898
	9,438,377	9,433,278
Less: amount due within one year shown under current liabilities	(6,993,854)	—
Amount due after one year	2,444,523	9,433,278

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

19. Secured Term Loans (continued)

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 30 June 2010 is HK\$7,000,000,000 (31.12.2009: HK\$7,000,000,000). It bears interest at floating interest rate of 1-month Hong Kong Interbank Offered Rate ("HIBOR") (31.12.2009: 1-month HIBOR) plus 0.53% per annum and is repayable in full on 24 May 2011. The interest rate is fixed at the rate of 2.8225% per annum by the use of interest rate swaps as set out in note 21.

As security for the facilities granted to the Group, certain investment properties with a fair value of HK\$28,594,750,000 as at 30 June 2010 (31.12.2009: HK\$27,967,700,000) 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 30 June 2010 is HK\$2,454,000,000 (31.12.2009: 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\$15,378,000,000 as at 30 June 2010 (31.12.2009: HK\$14,982,400,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

20. 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\$1,328,850,000 as at 30 June 2010 (31.12.2009: HK\$1,290,700,000) 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) adjustment.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

20. 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 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 period ended 30 June 2010. As at 30 June 2010, the principal amount of the 2006 Bonds was HK\$765,000,000 (31.12.2009: HK\$765,000,000). The carrying amount of the liability component and fair value of derivative component amounting to HK\$840,368,000 is classified as current liability.

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\$15,378,000,000 as at 30 June 2010 (31.12.2009: HK\$14,982,400,000) 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\$3.69 per unit which came into effect since 25 May 2010 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

20. Convertible Bonds (continued)

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.

There was no conversion, redemption and repurchase of the 2008 Bonds during the six months period ended 30 June 2010. During the six months period ended 30 June 2009, the 2008 Bonds Issuer repurchased HK\$20,000,000 of the 2008 Bonds at a price range of 90 to 93 per cent of their principal amounts. The repurchased 2008 Bonds were cancelled on 24 June 2009. As at 30 June 2010, the principal amount of 2008 Bonds was HK\$4,660,000,000 (31.12.2009: HK\$4,660,000,000).

As at 30 June 2010, Great Eagle Holdings Limited, 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 (31.12.2009: 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

20. Convertible Bonds (continued)

As at 30 June 2010, 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 that are supported by observable market data as follows:

	At 30 June 2010		At 31 December 2009	
	2006 Bonds	2008 Bonds	2006 Bonds	2008 Bonds
Unit price	HK\$3.63	HK\$3.63	HK\$3.30	HK\$3.30
Risk-free rate of interest	0.63%	1.07%	0.86%	2.09%
Dividend yield	7.00%	7.00%	8.03%	8.02%
Historical volatility (with similar time to maturity)	28.72%	42.14%	51.03%	39.93%

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

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Liability component		
At the beginning of the period/year	5,603,082	5,346,998
Interest charged	175,300	338,009
Interest paid	(30,950)	(61,978)
Repurchase during the period/year	—	(19,947)
At the end of the period/year	5,747,432	5,603,082
Derivative components		
At the beginning of the period/year	658,748	62,021
Change in fair value	195,503	597,242
Repurchase during the period/year	—	(515)
At the end of the period/year	854,251	658,748
Total convertible bonds	6,601,683	6,261,830

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

20. Convertible Bonds (continued)

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
The maturity of the above convertible bonds is as follows:		
Within one year	840,368	—
More than one year but not exceeding two years	—	862,324
More than two years but not exceeding five years	5,761,315	5,399,506
	6,601,683	6,261,830
Less: amount due within one year shown under current liabilities	(840,368)	—
Amount due after one year	5,761,315	6,261,830

21. Derivative Financial Instruments

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Cash flow hedge – interest rate swaps	114,530	149,960
Analysed for reporting purpose as:		
Amount shown under non-current liabilities	—	149,960
Amount shown under current liabilities	114,530	—
	114,530	149,960

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 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

21. Derivative Financial Instruments (continued)

Subsequent to the amendment to the terms of the interest rate swaps in 2008 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, 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 condensed consolidated income statement over the periods during which the variability of interest payment in relation to the secured term loan affects the condensed consolidated income statement. During the period, release of such cumulative losses from the hedging reserve amounted to HK\$86,549,000 (1.1.2009 to 30.6.2009: HK\$87,181,000).

At 30 June 2010 and 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%

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.

22. Deferred Tax Liabilities

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

	Investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
	(unaudited)	(unaudited)	(unaudited)
At the beginning of the period	1,099,190	(92,811)	1,006,379
Charge to condensed consolidated income statement during the period	164,079	9,109	173,188
At the end of the period	1,263,269	(83,702)	1,179,567

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

Deferred tax liabilities have been provided in respect of accelerated tax depreciation and fair value increase of investment properties.

As at 30 June 2010, the Group has unutilised tax losses of HK\$937,033,000 (31.12.2009: HK\$885,392,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$507,284,000 (31.12.2009: HK\$562,490,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$429,749,000 (31.12.2009: HK\$322,902,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

23. Number Of Units In Issue

	Number of units	HK\$'000 (unaudited)
At 1 January 2010	4,823,534,789	20,651,833
Units issued for settlement of Manager's fee	27,830,682	99,912
Units issued under distribution reinvestment scheme	63,733,460	222,328
At 30 June 2010	4,915,098,931	20,974,073

On 9 March 2010, 27,830,682 units at HK\$3.59 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2009 to 31 December 2009.

On 25 May 2010, 63,733,460 units at HK\$3.4884 per unit were issued under distribution reinvestment scheme.

24. Net Asset Value Per Unit

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2010 of HK\$28,130,633,000 (31.12.2009: HK\$27,359,302,000) by the number of units in issue of 4,915,098,931 (31.12.2009: 4,823,534,789 units) as at 30 June 2010.

25. Net Current Liabilities

At 30 June 2010, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$7,816,797,000 (31.12.2009: HK\$127,731,000).

26. Total Assets Less Current Liabilities

At 30 June 2010, the Group's total assets less current liabilities amounted to HK\$37,516,038,000 (31.12.2009: HK\$44,210,749,000).

27. Major Non-cash Transactions

During the period, 27,830,682 units (2009: 51,107,281 units) were issued as payment for the Manager's fee for the period from 1 July 2009 to 31 December 2009, amounting to HK\$99,912,000 (2009: HK\$98,126,000).

During the period, 63,733,460 units (2009: 144,816,938 units) were issued in lieu of payment for the final distributions of year 2009 amounting to HK\$222,328,000 (2009: HK\$256,442,000) pursuant to the distribution reinvestment scheme.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

28. Operating Lease Commitments

As at 30 June 2010, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited)
Within one year	1,417,700	1,339,657
In the second to fifth year inclusive	2,209,387	1,227,981
Over five years	232,937	—
	3,860,024	2,567,638

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\$17,369,000 (1.1.2009 to 30.6.2009: HK\$12,215,000) was received for the period.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

29. Connected and Related Party Transactions

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

	Notes	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<i>Rental income</i>			
China Mobile Hong Kong Company Limited	(a)	112	112
Langham Hotels International Limited	(b)	4,813	4,813
Langham Place Hotel (HK) Limited	(b)	1,938	1,998
Main St. Cafe Hong Kong Company Limited	(b)	702	889
Strong Dynamic Limited	(b)	3,300	3,300
The Great Eagle Properties Management Company, Limited	(b)	1,818	1,818
The Great Eagle Company, Limited	(b)	13,000	13,000
Toptech Co. Limited	(b)	1,502	1,502
Eagle Asset Management (CP) Limited	(b)	197	197
Eagle Property Management (CP) Limited	(b)	1,457	1,457
HSBC Group*	(c)	23,585	26,190
<i>Interest income</i>			
HSBC Group*	(c)	180	437
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	1,569	1,722
The Great Eagle Properties Management Company, Limited	(b)	217	217
Langham Hotels International Limited	(b)	699	699
Langham Place Hotel (HK) Limited	(b)	297	271
Toptech Co. Limited	(b)	251	251
Main St. Cafe Hong Kong Company Limited	(b)	82	88
Eagle Property Management (CP) Limited	(b)	163	163
HSBC Group*	(c)	2,036	2,036
<i>Building management fee</i>			
The Great Eagle Properties Management Company, Limited	(b)	73,572	72,395
Longworth Management Limited	(b)	15,311	15,311
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	26,193	28,464

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

29. Connected and Related Party Transactions (continued)

	Notes	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(b)	16,375	2,562
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	151	348
Toptech Co. Limited	(b)	167	346
Keysen Engineering Company, Limited	(b)	90	70
The Great Eagle Properties Management Company, Limited	(b)	1	3
Sun Fook Kong Housing Services Limited	(e)	5	—
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	340	254
Toptech Co. Limited	(b)	167	431
Keysen Engineering Company, Limited	(b)	107	43
The Great Eagle Properties Management Company, Limited	(b)	1	3
Sun Fook Kong Housing Services Limited	(e)	5	—
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	28	27
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	(b)	12	16
<i>Insurance fee</i>			
The Great Eagle Insurance Agency Limited	(b)	629	763
<i>Trustee's fee and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	3,985	3,713
HSBC Group*	(c)	38	32
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(f)	93,617	105,194
<i>Finance costs</i>			
Hang Seng Bank Limited^	(c)	31,049	76,981
<i>Valuation fee</i>			
Knight Frank Petty Limited	(d)	100	90
Savills Valuation and Professional Services Limited	(d)	—	3

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

29. Connected and Related Party Transactions (continued)

Balances with related parties are as follows:

	Notes	At 30 June 2010 (unaudited)	At 31 December 2009 (audited)
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (g)	25,942	26,068
Longworth Management Limited	(b) & (g)	15,311	15,311
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	23,374	10,394
Eagle Asset Management (CP) Limited	(b) & (g)	93,617	98,126
Toptech Co. Limited	(b) & (g)	375	370
The Great Eagle Engineering Company Limited	(b) & (g)	541	742
The Great Eagle Properties Management Company, Limited	(b) & (g)	221	33
Keysen Engineering Company, Limited	(b) & (g)	139	88
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 Hong Kong Company Limited	(a)	37	37
Eagle Property Management (CP) Limited	(b) & (h)	10	10
Main St. Cafe Hong Kong Company Limited	(b) & (i)	—	—
The Great Eagle Properties Management Company, Limited	(b)	887	887
Toptech Co. Limited	(b)	869	869
Strong Dynamic Limited	(b) & (j)	—	—
Langham Hotels International Limited	(b) & (k)	—	—
Langham Place Hotel (HK) Limited	(b) & (l)	15	15
HSBC Group*	(c)	9,078	10,381

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

29. 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 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 unitholder of Champion REIT units.
 - (c) These companies are the Trustee or associates of the Trustee.
 - (d) These companies are the principal valuer of Champion REIT or its associates.
 - (e) This company is a subsidiary of SFK Construction Holdings Limited ("SFK"), which is an associate of Mr. Lo Kai Shui, a director of the Manager, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK.
 - (f) The Manager's Fee is calculated at 12% of the net property income as Champion REIT achieves net property income of HK\$200 million for each of the six months period ended 30 June 2010 and 30 June 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\$10,000 (31.12.2009: HK\$10,000) received as damage deposit, a bank guarantee of HK\$837,000 (31.12.2009: HK\$837,000) was received in lieu of deposit.
 - (i) At 31 December 2009, a bank guarantee of HK\$511,000 was received in lieu of deposit.
 - (j) A bank guarantee of HK\$2,585,000 (31.12.2009: HK\$2,593,000) was received in lieu of deposit.
 - (k) A bank guarantee of HK\$2,864,000 (31.12.2009: HK\$2,864,000) was received in lieu of deposit.
 - (l) In addition to HK\$15,000 (31.12.2009: HK\$15,000) received as damage deposit, a bank guarantee of HK\$1,154,000 (31.12.2009: 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 30 June 2010) and HK\$2,954 million (of which HK\$2,454 million term loan was drawn down on 3 June 2008 and outstanding as at 30 June 2010).

INVESTMENT PROPERTIES PORTFOLIO

As at 30 June 2010

Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Citibank Plaza	3 Garden Road, Central, Hong Kong	1992	1,559,000	1,213,000	83.5%	29,923.6
Langham Place	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	1,293,000	1,022,000	98.8%	15,378.0

PERFORMANCE TABLE

As at 30 June 2010

	Six months ended 30 June 2010	Six months ended 30 June 2009	Six months ended 30 June 2008	Six months ended 30 June 2007	Period from 26 April 2006 to 30 June 2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net asset value (HK\$'000)	28,130,633	26,332,538	30,625,642	17,989,932	16,365,139
Net asset value per unit (HK\$)	5.72	5.69	6.93	6.44	5.97
The highest traded price during the period (HK\$)	3.920	2.760	4.850	4.690	4.375
The highest premium of the traded price to net asset value ¹	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	3.230	1.560	3.500	3.690	3.775
The highest discount of the traded price to net asset value	43.53%	72.58%	49.49%	42.70%	36.77%
Distribution yield per unit ²	2.97%	5.13%	4.95%	3.05%	N/A
Annualized distribution yield per unit	5.94%	10.27%	9.90%	6.10%	N/A
Net profit yield per unit ³	4.81%	22.88%	19.26%	8.02%	0.17%
Annualized net profit yield per unit	9.62%	45.76%	38.52%	16.04%	1.63%

Notes:

- 1 The highest traded price is lower than the net asset value. Accordingly, no premium of the traded price to net asset value is presented.
- 2 Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1079 (30.6.2009: HK\$0.1304) for the six months ended 30 June 2010 over the traded price of HK\$3.63 (30.6.2009: HK\$2.54) as at 30 June 2010.
- 3 Net profit yield per unit is calculated based on the profit for the period before distribution to unitholders per unit for the six months ended 30 June 2010 over the traded price of HK\$3.63 (30.6.2009: HK\$2.54) as at 30 June 2010.



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