



*Building Income 穩中求勝*  
*Interim Report 中期報告 2012*



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Corporate  
Information

## Champion REIT



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## Global Best Practices And Standards

Champion REIT is committed to attaining global best practices and standards. Champion REIT's interpretation of 'global best practices and standards' is based upon six key principles:

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

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

## Trust Profile

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties and is one of the 10 largest REITs by market capitalization in the Asia excluding Japan region. The Trust's focus is on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to 2.85 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Citibank Plaza and Langham Place, one on each side of the Victoria Harbour.

## Trust Objectives

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



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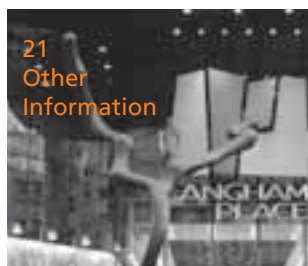
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## Champion REIT

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

LEE Ching Ming, Adrian (*Chief Executive Officer*)

### Independent Non-executive Directors

CHA Mou Sing, Payson  
SHEK Lai Him, Abraham  
IP Yuk Keung, Albert

## Audit Committee of the REIT Manager

IP Yuk Keung, Albert (*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

## Responsible Officers of the REIT Manager

LEE Ching Ming, Adrian  
CHOO Chong Yao, Patrick  
KWONG Chi Kwong

## 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

Savills Valuation and Professional Services 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  
Email: hkinfo@computershare.com.hk

## Website

[www.ChampionReit.com](http://www.ChampionReit.com)

## Stock Code

2778

# Financial Highlights

(in HK\$' million, unless otherwise specified)

	6 Months Ended 30 Jun 2012	6 Months Ended 30 Jun 2011	% Change
Total Revenue	1,011	950	+ 6.4%
Property Operating Expenses	181	186	- 2.7%
Net Property Income	830	765	+ 8.5%
Profit After Tax	1,267	3,877	- 67.3%
Distributable Income	642	569	+ 12.8%
Distribution Amount	577	518	+ 11.4%
Distribution per Unit (HK\$)	0.1161	0.1045	+ 11.1%
Expense Ratio (%)	17.9	19.6	- 1.7% <sup>1</sup>

	At 30 Jun 2012	At 31 Dec 2011	% Change
Gross Value of Portfolio	55,800	54,857	+ 1.7%
Net Asset Value per Unit (HK\$)	7.94	7.82	+ 1.5%
Gearing Ratio (%)	24.5	25.0	- 0.5% <sup>1</sup>

## Notes

1 Absolute change is used for figures stated in percentages.

## Operational Review

## Overview

Gross Revenue for the six months ended 30 June 2012 was HK\$1,011 million, an increase of 6.4% compared to the same period a year ago. This improvement was driven by a steadier performance of Citibank Plaza and the continued growth at Langham Place Mall. While Central District office rents have been weakening due to the contraction of the banking sector, reduced average vacancy resulted in a HK\$27 million increase in revenue at Citibank Plaza. Income from Langham Place continued to grow as it maintained very high occupancy levels in both the Office Tower and the Mall. At the same time, turnover rental income from the Mall increased significantly on the back of strong sales growth of the tenants. Revenue contributed by Langham Place increased by HK\$33 million. Over the same period, Operating Expenses of the REIT decreased 2.7% to HK\$181 million mainly because of the smaller amount of leases expiring this year and hence lower leasing commissions. Consequently, Net Property Income grew more than Gross Revenue, increasing 8.5% to HK\$830 million.

The appraised value of the Trust's properties as of 30 June 2012 increased 1.7% from 31 December 2011 to HK\$55,800 million. As a result of this increase, the Gearing Ratio saw a corresponding improvement from 25.0% to 24.5%. Net Asset Value was HK\$7.94 per Unit as compared to HK\$7.82 per Unit at the end of 2011.

Profit After Tax was HK\$1,267 million for the Period, a drop of HK\$2,610 million or 67.3%, mainly due to lower net revaluation gains of only HK\$882 million as compared to HK\$3,636 million for the first half of last year. Excluding revaluation gains and other items that are non-cash in nature, Distributable Income for the Period was HK\$642 million, up 12.8% from the first half of 2011. The Distribution Amount, at a 90% distribution ratio, is HK\$577 million. The Distribution per Unit ("DPU") for the Period will be HK\$0.1161, up 11.1% from a year ago. An invitation has been issued to convert some of the REIT's outstanding convertible bonds. Upon conversion of these bonds, the number of unit outstanding will be increased by as much as 16%, resulting in a proportional reduction in DPU for 2012. Please refer to the Outlook section for further elaboration.

	6 Months Ended 30 Jun 2012	6 Months Ended 30 Jun 2011	% Change
	HK\$'000	HK\$'000	
<b>Citibank Plaza</b>			
Revenue	596,808	569,873	+ 4.7%
Operating Expenses	97,390	106,292	- 8.4%
Net Property Income	499,418	463,581	+ 7.7%
<b>Langham Place Office</b>			
Revenue	128,882	126,392	+ 2.0%
Operating Expenses	24,995	25,500	- 2.0%
Net Property Income	103,887	100,892	+ 3.0%
<b>Langham Place Mall</b>			
Revenue	285,093	254,169	+ 12.2%
Operating Expenses	58,229	53,760	+ 8.3%
Net Property Income	226,864	200,409	+ 13.2%

## Citibank Plaza

The office leasing market in Central has remained soft in the first half of 2012. The European debt crisis remains a source of financial uncertainty at a time when banks are facing tightening capital requirements from the ongoing implementation of Basel III. This has resulted in the downsizing of space requirements by many major banks. While demand waned in the District, there continued to be no significant new supply of premium-grade office space. Thus incremental demand from new and upgrading Mainland-based Chinese companies, international mining companies and law firms building a presence in Hong Kong, has moderated the fall in overall occupancy in Central, which was around 95% at mid-year, although it has slipped below 90% for some individual buildings. Competition among landlords for tenants has intensified and rents have corrected by about 15% from the levels of year end 2011.

Occupancy at Citibank Plaza decreased from 90.4% at the beginning of the year to 88.7% as of 30 June 2012, following the relocation of some government departments to the new Government Headquarters and downsizing of several financial and legal tenants. Outstanding lease expiries in the second half of 2012 now stand at 5.7% of the total floor area.

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

Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12
85.15	85.36	85.83	85.83	85.98	85.68	86.10

Spot rents at Citibank Plaza are currently priced around HK\$85 per sq. ft. to support occupancy. While the average rent for leases expiring in 2012 of HK\$97.71 per sq. ft. is higher than the spot rent, there were a number of leases that commenced in the first half but were negotiated in 2011 when rent levels were still above HK\$100 per sq. ft. That has allowed the average passing rent at 30 June 2012 to rise slightly to HK\$86.10 per sq. ft.

Net Property Income at Citibank Plaza increased 7.7% year-on-year to HK\$499 million. Revenue increased from HK\$570 million for the first half of 2011 to HK\$597 million for 2012. This was largely driven by the increase in average occupancy, which increased from 86.6% to 88.5% for the first half.

Rental commissions fell from HK\$21.8 million to HK\$6.1 million due to the lower volume of new leasing done during the Period which allowed total property operating expenses decrease by 8.4% year-on-year.

## Langham Place Office Tower

The occupancy rate increased from 96.8% as of 31 December 2011 to 98.0% at mid-year 2012. The resilience of the economy outside of the financial sector has sustained demand for office space across all office districts on the Kowloon Peninsula. The vacant stock in East Kowloon has been largely absorbed and rents there have firmed up significantly. Consequently, rents in other parts of Kowloon have continued to move up in the first half of 2012.

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

Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12
27.43	27.48	27.51	27.57	28.06	28.06	28.09

Spot rents at the Langham Place Office Tower have been kept steady at the HK\$32-38 per sq. ft. range, though recent transactions have been done closer to the upper end of that range. Passing rents have been rising steadily since 2010 and continued to do so during the Period as lower rents previously contracted reverted to the market.

Revenue at the Office Tower was HK\$129 million, compared to HK\$126 million for the corresponding period in 2011. Operating expenses were stable at HK\$25 million and Net Property Income grew in line with revenue, from HK\$101 million to HK\$104 million.

## Langham Place Mall

The Mall continued to enjoy very high levels of foot traffic and remained virtually fully let at mid-year 2012. The focus of the Mall on mid-price fashion has allowed it to outperform the HK-wide retail market during the Period. The Mall has so far not been affected by the recent slowdown in spending on luxury items by mainland visitors. Driven by a constantly improving mix of quality retailers, average sales per sq. ft. for tenants at the Mall for the first half grew 16.4% year-on-year. The leading segment within the mall was Beauty and Skincare which saw sales growth of 27.4%.



**Average Monthly Retail Passing Rents at Langham Place**  
*(HK\$ per sq. ft. of lettable area, excluding turnover rent)*

Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12
100.77	100.77	100.97	102.02	102.12	102.56	102.65

Demand for retail space from new tenants has remained strong, giving the landlord considerable pricing power. The average Passing Rent Rate increased from HK\$100.77 at the end of 2011 to HK\$102.65 per sq. ft. as of June 2012. A year ago in June 2011, the passing rent rate was HK\$98.48 per sq. ft. In spite of increases in base rents for some tenants upon lease renewal, there has been little erosion in turnover rents. To the contrary, turnover rents for the first half of 2012 increased by 75%

year-on-year from HK\$22.6 million to HK\$39.5 million. That was an indication that tenant sales growth has outpaced the increase in base rents. Turnover rents for the first half of 2012 were an additional HK\$20.64 per sq. ft. on top of the passing rent, as compared to HK\$11.82 per sq. ft. a year ago.

Revenue increased by 12.2% from HK\$254 million to HK\$285 million. This was a reflection of the follow-on effect of rent rate increases on leases rolled over in the second half of 2011. A 20% increase in roadshow and other rental related income also contributed HK\$9 million to the improvement. Operating expenses were up HK\$4.4 million to HK\$58.2 million for the Period but the increase of 8.3% was lower than the revenue growth. Net Property Income as a result increased by 13.2% from HK\$200 million to HK\$227 million.



## Outlook

The remainder of 2012 will continue to pose challenges for our leasing activities at Citibank Plaza. The debt crisis in Europe has shown no signs of early resolution and will continue to dampen global economic growth. At the same time growth in China has been slowing at a faster than expected pace. Over the coming months, reduced space requirements and decentralization by the banking industry will continue to affect the Central office market. The dearth in supply of new office space in Central and incremental demand from smaller users should however help to lessen the impact. Though less than 6% of the floor area in Citibank Plaza will see their leases expire over the rest of the year, we will continue our flexibility with leasing terms to upkeep occupancy in an increasingly competitive market.

Outside of Central rents have remained firm so far. At Langham Place we expect continued high levels of occupancy for the Office Tower. While there exists a gap between passing and market rents that can be closed over time, there is minimal space expiring for the rest of 2012 and rental income from the office portion of Langham Place is expected to remain relatively steady in the second half of the year. Next year, 51% of the floor area will be expiring in addition to a further 10% undergoing rent review. By then, we should begin to see the monetization of the rental gap into higher revenue. Nonetheless, there is always the possibility that the slow pace of economic growth in China may eventually curtail demand for office space from the non-financial sectors. We will therefore maintain a prudent pricing strategy to safeguard the occupancy at the Office Tower.

With its excellent location, its ever-improving tenant mix and successful marketing campaigns, Langham Place Mall has remained a location of choice for popular cosmetics brands and mid-priced fashion and accessory retailers. The Mall's emphasis on the younger demographic with increasing spending power has allowed tenant sales to continue expanding at a respectable pace in spite of a general deceleration in HK retail sales growth. All leases expiring in 2012 have been rolled over but as leases are renewed ahead of time, new contracts with generally higher rents covering 18% of the floor area have yet to come into effect in the first half. Their positive impact on income will be seen in the second half. Revenue should also be higher in the second half when turnover rents are usually higher because of seasonality. Thus we should continue to see growth in rental income at the Mall in the second half.

In the past 18 months, the liquidity in the Hong Kong syndicated bank lending market has tightened considerably and financing costs have increased. In view of the volatility of the global financial markets, it would be prudent for us to plan early for an anticipated refinancing requirement of HK\$8,161 million in 2013. Part of this debt due in 2013 is a principal amount of HK\$4,605 million of convertible bonds. After factoring in the redemption premium at maturity that bondholders are entitled to, these bonds would not normally convert below a unit price of HK\$4.27. To optimize Champion REIT's capital structure, an invitation has been issued to bondholders to convert up to a principal amount of HK\$2,750 million in exchange for an incentive payment of HK\$2,215 for each HK\$10,000 in principal amount of the Bonds converted under the invitation. The invitation will cost approximately HK\$609 million if it is fully accepted but will reduce overall debt and raise equity for the REIT, reducing gearing from 24.5% to 19.9%. In particular, the quantum required for refinancing debt maturing in 2013 will be significantly reduced, placing Champion REIT in a better position to secure more favourable borrowing terms in 2013. However, the number of unit outstanding will be increased by approximately 16%, resulting in a proportional reduction in DPU for 2012. This impact to DPU is immediate, but savings in interest expense will only be felt in 2013 and after. For further details, please refer to the announcement dated 13 August 2012 regarding the invitation.

The present problems in the world financial markets could create uncertainties in the Hong Kong office and retail markets. However, based on the low level of office expiries for the remainder of 2012 and the relatively bright prospects of Langham Place Mall, we expect the property income of the REIT to show further improvement in the second half of the year.

By Order of the Board

**Eagle Asset Management (CP) Limited**

(as manager of Champion Real Estate Investment Trust)

**LO Ka Shui**

*Chairman*

Hong Kong, 13 August 2012

## Valuation of Properties



According to the Property Valuation Reports issued by Savills Valuation and Professional Services Limited on 26 July 2012, the valuation of the properties of Champion REIT broken down by usage as of 30 June 2012 is as follows:

	Citibank Plaza	Langham Place	Sub-total
Jun 2012 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	35,267	6,648	41,915
Retail	407	12,546	12,953
Car Park	281	225	506
Miscellaneous	300	126	426
<b>Total</b>	<b>36,255</b>	<b>19,545</b>	<b>55,800</b>

Champion REIT's property portfolio is now valued at HK\$55.8 billion, an increase of HK\$0.94 billion from the December 2011 valuation of HK\$54.86 billion. The capitalization rate used to value Citibank Plaza has been decreased from 4.0% to 3.5% based on recent transactions of Grade A office properties in Central. However, projected rents of Citibank Plaza have been reduced since the last valuation

largely offsetting the change in capitalization rate, resulting in 0.5% decrease in the appraised value of Citibank Plaza. The capitalization rate used to value the Langham Place Office Tower was reduced from 4.2% to 4.1% resulting in a 2.4% increase in appraised value. The capitalization rate used to value the Langham Place Mall remained unchanged at 4.1%, but rental assumptions have improved resulting in an 8.1% increase in appraised value.

# Financial Review

## Distributions

### Distribution Amount

The Distribution Amount of Champion REIT for the Period was HK\$577,384,000, calculated as 90% of Champion REIT's total available distributable income of HK\$641,538,000.

For the same period last year, the Distribution Amount of Champion REIT was HK\$517,955,000, calculated as 90% of Champion REIT's total distributable income of HK\$568,784,000 plus additional amount of HK\$6,050,000 at the discretion of REIT Manager.

### Distribution per Unit

The distribution per unit for the Period was HK\$0.1161. This represents an annualized distribution yield of 7.2% based on the closing price of HK\$3.21 as at 29 June 2012. Such distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2012 and the record date, including but not limited to the issuance of conversion units pursuant to the outstanding invitation to Bondholders to convert their bonds. Assuming the maximum amount of HK\$2,750 million of bonds under the invitation is converted, the interim distribution per unit will be adjusted to HK\$0.1000. A further announcement will be made to inform unitholders of the actual distribution per unit for the Period.

## Closure of Register of Unitholders

The Register of Unitholders will be closed from Wednesday, 19 September 2012 to Monday, 24 September 2012 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The 2012 Interim Distribution will be payable on 9 October 2012 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2012 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 Tuesday, 18 September 2012.

## Debt Profile

As at 30 June 2012, total outstanding borrowings of the Trust amounted to HK\$14,059 million. The total borrowings comprised:

- HK\$2,454 million term loan which is repayable in full in June 2013
- HK\$4,605 million convertible bonds in principal amount which will mature in June 2013
- HK\$7,000 million term loan which is repayable in full in May 2014

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

	30 Jun 2012	
	HK\$ million	% of total
Due in year 2013	7,059	50.2
Due in year 2014	7,000	49.8
<b>Total</b>	<b>14,059</b>	<b>100.0</b>

As a first step of the refinancing arrangement for the term loan and convertible bonds that are falling due in 2013, the Trust through Fair Vantage Limited, the issuer of HK\$4,680,000,000 1 per cent Guaranteed Convertible Bonds due 2013, is inviting its bondholders (the "Bondholders") to convert their bonds into Units. Bondholders accepting the invitation will receive an incentive payment of HK\$2,215 for each HK\$10,000 in principal amount of the Bonds so converted. Please refer to the announcement as of 13 August 2012 for the details of the invitation. Upon the completion of the invitation, the Trust will arrange the refinancing of the remaining quantum in due course.

As at 30 June 2012, the outstanding convertible bonds have the following features:

Features	
Principal amount	HK\$4,605 million
Coupon rate	1% per annum
Maturity date	3 June 2013
Redemption price	123.94%
Latest conversion price	HK\$3.44



As at 30 June 2012, all bank loans of the Trust, representing 67% of the Trust's total debt, were on floating-rate basis. The REIT Manager will monitor interest rate movements and may, depending on market conditions, consider putting in place interest rate swap arrangements in respect of the loan facilities in place.

The valuation of the Trust's investment properties at 30 June 2012 was appraised at HK\$55,800 million, representing a 1.7% appreciation from HK\$54,857.3 million achieved at 31 December 2011. Consequently, the Gearing Ratio, or total borrowings as a percentage of gross assets was decreased slightly to 24.5% as at 30 June 2012 as compared to 25% as at 31 December 2011. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 31.1%.

### Net Assets attributable to Unitholders

Driven primarily by an increase in the fair value of investment properties, Net Assets Attributable to Unitholders was HK\$39,502.3 million or HK\$7.94 per Unit as at 30 June 2012, increased by HK\$746.7 million or HK\$0.12 per Unit as compared to the value of HK\$38,755.6 million or HK\$7.82 per unit as at 31 December 2011. The Net Asset Value per Unit of HK\$7.94 represented a 147.4% premium to the closing unit price of HK\$3.21 as at 29 June 2012.

### Cash Position

As at 30 June 2012, Champion REIT had total undrawn bank loan facilities of HK\$500 million (31 December 2011: HK\$500 million) and a cash balance of HK\$1,370.4 million (31 December 2011: HK\$1,292.8 million). Currently, investment properties of Champion REIT with a fair value of HK\$5,839 million as at 30 June 2012 are free of encumbrances. This will facilitate additional financing if necessary. Taking into consideration the financial resources available to the REIT, Champion has sufficient liquid assets to satisfy its working capital and operating requirements.

### Pledge Assets

As at 30 June 2012, investment properties of Champion REIT with a fair value of HK\$49,961 million (31 December 2011: HK\$49,072.3 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 trustee to secure the obligations of the issuer of the convertible bonds or pledged to secure the banking facilities granted to the REIT.

### Commitments

As at 30 June 2012, the Trust did not have any significant commitments.



## 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 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. The Responsible Officers have completed the Continuous Professional Training as required by the SFO for each calendar year.

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, a Fourth Supplemental Deed dated 23 July 2010 and a Fifth Supplemental Deed dated 13 March 2012.

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

The Board of the REIT Manager principally oversees the day-to-day management of the REIT Manager's affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board will also review major financial decisions and the performance of the REIT Manager.

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors.

The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 3 Independent Non-executive Directors). The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

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



The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee currently comprises 2 Independent Non-executive Directors (namely, Mr. Shek Lai Him, Abraham and Mr. Ip Yuk Keung, Albert) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Ip is the Chairman of the Audit Committee.

The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete. The Disclosures Committee currently comprises a Non-executive Director (namely, Dr. Lo Ka Shui), an Independent Non-executive Director (namely, Mr. Shek Lai Him, Abraham) and an Executive Director (namely, Mr. Lee Ching Ming, Adrian). Mr. Lee is the Chairman of the Disclosures Committee.

## Compliance

During the six months ended 30 June 2012, 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 new Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules effective 1 April 2012 throughout the six months ended 30 June 2012.

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 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 2012.

## Review of Interim Results

The unaudited interim results of Champion REIT for the six months ended 30 June 2012 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.

# Connected Party Transactions Report

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

## Connected Party Transactions With the Great Eagle Connected Persons Group and/or the Sfk Connected Persons Group

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons for the six months ended 30 June 2012 ("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	Incomes 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 <sup>1</sup>	1,500,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction <sup>2</sup>	5,294,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction <sup>3</sup>	1,641,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction <sup>4</sup>	3,300,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction <sup>5</sup>	2,219,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	25,000
China Mobile Hong Kong Company Limited	Associate of a Director <sup>6</sup>	Licence fee <sup>7</sup>	117,000
<b>Total</b>			<b>14,293,000</b>

### Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period
			HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income <sup>1</sup>	163,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income <sup>2</sup>	699,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income <sup>3</sup>	271,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income <sup>4</sup>	1,594,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income <sup>5</sup>	223,000
<b>Total</b>			<b>2,950,000</b>

## Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	369,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	836,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	3,058,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	31,647,000 <sup>8</sup>
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	2,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Marketing expense	19,000
Clever Gain Investment Limited (trade as Yat Tung Heen)	Subsidiary of Great Eagle	Marketing expense	24,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Repair and maintenance services	8,000
<b>Total</b>			<b>35,963,000</b>

## Notes

1. A security deposit by way of a bank guarantee of approximately HK\$859,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Period end date.
2. A security deposit by way of bank guarantee in an aggregate amount of approximately HK\$3,127,000 provided by Langham Hotels International Limited was held by the Trust as at the Period end date.
3. 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.
4. 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.
5. A security deposit of approximately HK\$1,040,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Period end date.
6. 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.
7. A security deposit of approximately HK\$39,000 provided by China Mobile Hong Kong Company Limited was held by the Trust as at the Period end date.
8. Out of this HK\$31,647,000, approximately HK\$30,828,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$819,000 represented the amount of reimbursement of estate management expenses 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 under the approved budget for the year 31 December 2012; so as to enable the Mall Estate Manager to make payment of estate management expenses.



### 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 Contracting Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Period
<b>HK\$</b>				
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	30,827,000
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	819,000

### 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 Contracting Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Period
<b>HK\$</b>				
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 <sup>1</sup>	899,000
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 <sup>2</sup>	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
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services	34,344,000
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 <sup>3</sup>	48,895,000

## 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.

### 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\$99,620,000 being the 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 to receive 60% of Manager's Fee in the form of Units and the balance of 40% in cash for the Financial Year 2011. As no change has been made, according to Clause 11.1.2 of the Trust Deed, the way of receipt of Manager's Fee as to 60% in the form of Units and 40% in cash remains applicable to the financial year 2012. For the six-month financial period ending 30 June 2012, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$59,772,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$39,848,000.

### 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	Incomes/Expense for the Period
			<b>HK\$</b>
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	2,681,000
HSBC Group	Trustee Connected Persons	Bank charge	36,000
Hang Seng Bank Limited <sup>1</sup>	Trustee Connected Persons	Loan interest/expense	55,341,000

### Connected Party Transactions – Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction <sup>2</sup>	22,057,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income <sup>2</sup>	2,137,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction <sup>2</sup>	164,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income <sup>2</sup>	25,000
<b>Total</b>			<b>24,383,000</b>

Notes

1. Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited. It acts as the facility agent for (i) the term loan of HK\$7,000 million which was outstanding as at 30 June 2012; and (ii) the term loan and revolving credit facilities of HK\$2,954 million (of which HK\$2,454 million term loan was outstanding as at 30 June 2012). 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\$9,072,000 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\$4,889,000 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 approximately HK\$80,000 was paid to Savills Valuation and Professional Services Limited, for the valuation fees, in the capacity as the principal valuer of Champion REIT.

Note: All figures presented in this "CONNECTED PARTY TRANSACTION REPORT" have been rounded to the nearest thousand.

# Disclosure of Interests

## Holdings of Connected Persons

As at 30 June 2012, so far as the REIT Manager is aware, the following persons, being connected persons (as defined under the REIT Code) of Champion REIT, held Units and/or underlying Units of Champion REIT:–

Name	Number of Units Held	Number of Underlying Units Held	Total	Percentage of Issued Units <sup>7</sup>
Top Domain International Limited	1,420,416,628 <sup>1</sup>	–	1,420,416,628	28.56
Keen Flow Investments Limited	913,580,933 <sup>1</sup>	–	913,580,933	18.36
Bright Form Investments Limited	–	680,232,558 <sup>1,2</sup>	680,232,558	13.67
Eagle Asset Management (CP) Limited	228,996,283 <sup>1,3</sup>	–	228,996,283	4.60
Fine Noble Limited	14,578,503 <sup>1</sup>	–	14,578,503	0.29
Great Eagle Nichemusic Limited	1,129,743 <sup>1</sup>	–	1,129,743	0.02
Lee Ching Ming, Adrian	173,250 <sup>4</sup>	–	173,250	0.003
Fortune Mega Investments Limited	163,936,151 <sup>5</sup>	–	163,936,151	3.29
HSBC Group	1,036,108 <sup>6</sup>	9,476,744	10,512,852	0.21

### Notes:

- 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.

Save for (i) the number of Units held by Eagle Asset Management (CP) Limited increased by 16,685,008 Units and (ii) the number of underlying Units held by Bright Form Investments Limited increased by 32,033,113 underlying Units (due to the adjustment of conversion price of the convertible bonds due 2013 from HK\$3.61 to HK\$3.44) as compared with their respective positions as at 31 December 2011, the unitholdings of these companies remained unchanged as compared with their respective positions as at 31 December 2011.

HSBC International Trustee Limited ("HITL") as the trustee of a discretionary trust held 33.08% interest in Great Eagle as at 30 June 2012. 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 are among the beneficiaries of the discretionary trust. In addition, Dr. Lo Ka Shui in his own capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 20.30% voting rights in the share capital of Great Eagle as at 30 June 2012.

- The 680,232,558 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 at the conversion price of HK\$3.44.
- 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.
- Mr. Lee Ching Ming, Adrian is a connected person by virtue of his being a director of the REIT Manager. The number of Units held by Mr. Lee Ching Ming, Adrian remained unchanged as compared with the position as at 31 December 2011.
- 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 2011.
- The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries, 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 of which 966,108 Units were held by the holding company, controlling entities, subsidiaries and associated companies (as defined in the REIT Code) of the Trustee and 70,000 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 increase by 22,530 Units as compared with the position as at 31 December 2011.

HSBC Group was deemed to be interested in these 9,476,744 Units which were underlying Units derived from the convertible bonds due 2013 in the principal amount of HK\$32,600,000 held by the holding company, controlling entities, subsidiaries and associated companies (as defined in the REIT Code) of the Trustee at the conversion price of HK\$3.44. The amount of convertible bonds due 2013 held by HSBC Group increased by HK\$16,600,000 as compared with the position as at 31 December 2011.

- This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,973,275,011 as at 30 June 2012 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 2012 to 30 June 2012.

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

As at 30 June 2012, 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 provisions of Part XV of the SFO:

### (a) Units and Underlying Units

Name	Number of Units Held <sup>3</sup>	Number of Underlying Units Held <sup>3</sup>	Total	Percentage of Issued Units <sup>4</sup>
<b>Directors and Chief Executive of the REIT Manager</b>				
Lo Ka Shui	2,578,702,090 <sup>1</sup>	680,232,558 <sup>1</sup>	3,258,934,648 <sup>1</sup>	65.52
Cheng Wai Chee, Christopher	13,424,730 <sup>2</sup>	–	13,424,730 <sup>2</sup>	0.26
Lee Ching Ming, Adrian	173,250	–	173,250	0.003
<b>REIT Manager</b>				
Eagle Asset Management (CP) Limited	228,996,283 <sup>1</sup>	–	228,996,283 <sup>1</sup>	4.60
<b>Substantial Unitholders</b>				
Great Eagle Holdings Limited	2,578,702,090 <sup>1</sup>	680,232,558 <sup>1</sup>	3,258,934,648 <sup>1</sup>	65.52
HSBC International Trustee Limited	2,580,198,254 <sup>1</sup>	680,232,558 <sup>1</sup>	3,260,430,812 <sup>1</sup>	65.55
Top Domain International Limited	1,420,416,628	–	1,420,416,628	28.56
Keen Flow Investments Limited	913,580,933	–	913,580,933	18.36
Bright Form Investments Limited	–	680,232,558	680,232,558	13.67

### (b) Debentures<sup>5</sup>

Name	Nominal Value of Debentures
<b>Director of the REIT Manager</b>	
Lo Ka Shui	HK\$2,340,000,000 <sup>6</sup>



Notes:

1. Dr. Lo Ka Shui is a substantial shareholder holding 20.30% voting rights in the share capital of Great Eagle. Great Eagle was deemed to be interested in a total of 3,258,934,648 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) 680,232,558 Units being underlying Units of the convertible bonds due 2013 held by Bright Form Investments Limited at the conversion price of HK\$3.44;
  - (d) 228,996,283 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.

Among the 2,580,198,254 Units held by HSBC International Trustee Limited ("HITL"), 2,578,702,090 Units were the same parcel of Units held by Great Eagle. The 680,232,558 underlying Units held by HITL were also the same parcel of underlying Units held by Great Eagle (item 1(c) above) in relation to the derivative interests derived from the convertible bonds due 2013 in the principal amount of HK\$2,340,000,000 directly held by Bright Form at the conversion price of HK\$3.44.

HITL was deemed to be interested in these Units in its capacity as a trustee of a discretionary trust which held 33.08% 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 are among the beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his own capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 20.30% voting rights in the capital of Great Eagle.
2. These Units were held by a trust of which Mr. Cheng Wai Chee, Christopher is a beneficiary.
3. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.
4. This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,973,275,011 as at 30 June 2012 and rounded down to 2 decimal places.
5. The debentures means the aggregate principal amount of HK\$4,680,000,000 of convertible bonds due 2013 ("2008 Convertible Bonds") issued by Fair Vantage Limited (a wholly owned and controlled entity of Champion REIT) in 2008.
6. These interests in 2008 Convertible Bonds convertible into 680,232,558 Units at the conversion price of HK\$3.44 were beneficially held by Great Eagle as mentioned in note 1(c) above.

Save as disclosed above, as at 30 June 2012, so far as is known to the Directors and Chief Executive of the REIT Manager:

- (i) no person (other than a Director) was 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 corporations (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 were 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.

## Other Information

### New Units Issued

As at 30 June 2012, the total number of issued Units of Champion REIT was 4,973,275,011. As compared with the position of 31 December 2011, a total of 16,685,008 new Units were issued during the period. On 6 March 2012, 16,685,008 new Units were issued to the REIT Manager at the price of HK\$3.441 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 60% of the Manager's Fee of approximately HK\$57,413,000 for the second half of 2011.

### Real Estate Sale and Purchase

Champion REIT did not enter into any real estate sales and purchases transactions during the Period.

### Managers and Employees

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself. The properties of the Trust are managed by various operating entities, including the REIT Manager, the Property Manager, and the DMC/Estate Managers etc. The following table summarizes the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 30 June 2012:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	–	–	13
Leasing	4	12	–
Marketing and promotion	–	9	–
Property management	60	148	–
Contractors/technical staff	132	301	–
<b>Total</b>	<b>196</b>	<b>470</b>	<b>13</b>

### 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 3 May 2012. During the six months ended 30 June 2012, neither the Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

During the six months ended 30 June 2012, there was no purchase, sale or redemption by the

Manager or any of Champion REIT's special purpose vehicles of the HK\$4,680,000,000 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008 by Fair Vantage Limited, a special purpose vehicle of Champion REIT.

### 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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# Financials

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## Report on Review of Condensed Consolidated Financial Statements



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

### Introduction

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its controlled entities (collectively referred to as the "Group") set out on pages 24 to 48, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
13 August 2012

## Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Rental income	4	915,219	860,434
Building management fee income		85,931	81,940
Rental related income		9,633	8,060
<b>Total revenue</b>		<b>1,010,783</b>	<b>950,434</b>
Property operating expenses	5	(180,614)	(185,552)
<b>Net property income</b>		<b>830,169</b>	<b>764,882</b>
Interest income		5,090	4,084
Manager's fee	6	(99,620)	(91,786)
Trust and other expenses		(7,210)	(8,288)
Increase in fair value of investment properties	13	938,451	3,299,400
Change in fair value of derivative components of convertible bonds	20	(56,689)	336,169
Change in fair value of rental stabilisation arrangement	14	–	17
Gain on settlement of convertible bonds	20	–	219
Finance costs	7	(234,641)	(347,763)
<b>Profit before tax and distribution to unitholders</b>	8	<b>1,375,550</b>	<b>3,956,934</b>
Income taxes	9	(108,873)	(79,759)
<b>Profit for the period, before distribution to unitholders</b>		<b>1,266,677</b>	<b>3,877,175</b>
Distribution to unitholders		(577,384)	(517,955)
<b>Profit for the period, after distribution to unitholders</b>		<b>689,293</b>	<b>3,359,220</b>
<b>Basic earnings per unit</b>	12	<b>HK\$0.25</b>	<b>HK\$0.78</b>
<b>Diluted earnings per unit</b>	12	<b>HK\$0.25</b>	<b>HK\$0.58</b>

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## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Profit for the period, after distribution to unitholders	689,293	3,359,220
Cash flow hedges:		
Gain arising during the period	–	59,353
Reclassification adjustments for amounts recognised in profit or loss	–	63,019
	–	122,372
<b>Total comprehensive income for the period</b>	<b>689,293</b>	<b>3,481,592</b>

## Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<b>Non-current asset</b>			
Investment properties	13	55,800,000	54,857,300
<b>Current assets</b>			
Trade and other receivables	16	175,781	180,034
Tax recoverable		1,671	1,798
Bank balances and cash	17	1,370,434	1,292,752
Total current assets		1,547,886	1,474,584
<b>Total assets</b>		<b>57,347,886</b>	<b>56,331,884</b>
<b>Current liabilities</b>			
Trade and other payables	18	1,149,820	1,169,976
Deposits received		414,384	405,131
Tax liabilities		115,828	73,988
Distribution payable		577,384	592,565
Secured term loans	19	2,451,021	–
Convertible bonds	20	5,834,761	–
Total current liabilities		10,543,198	2,241,660
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Secured term loans	19	6,966,835	9,407,481
Convertible bonds	20	–	5,632,722
Deferred tax liabilities	22	335,580	294,454
Total non-current liabilities, excluding net assets attributable to unitholders		7,302,415	15,334,657
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>17,845,613</b>	<b>17,576,317</b>
<b>Net assets attributable to unitholders</b>		<b>39,502,273</b>	<b>38,755,567</b>
<b>Number of units in issue ('000)</b>	23	<b>4,973,275</b>	<b>4,956,590</b>
<b>Net asset value per unit</b>	24	<b>HK\$7.94</b>	<b>HK\$7.82</b>

## Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2012

	Issued units HK\$'000 (unaudited)	Hedging reserve HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Profit less distribution HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Net assets attributable to unitholders at 1 January 2011	21,033,383	(122,372)	5,757,943	6,472,953	33,141,907
Profit for the period, after distribution to unitholders	–	–	–	3,359,220	3,359,220
Cash flow hedges	–	122,372	–	–	122,372
Total comprehensive income for the period	–	122,372	–	3,359,220	3,481,592
Issue of units	53,753	–	–	–	53,753
<b>Net assets attributable to unitholders as at 30 June 2011</b>	<b>21,087,136</b>	<b>–</b>	<b>5,757,943</b>	<b>9,832,173</b>	<b>36,677,252</b>
Net assets attributable to unitholders at 1 January 2012	21,142,221	–	5,757,943	11,855,403	38,755,567
Profit for the period, after distribution to unitholders	–	–	–	689,293	689,293
Total comprehensive income for the period	–	–	–	689,293	689,293
Issue of units (note 23)	57,413	–	–	–	57,413
<b>Net assets attributable to unitholders as at 30 June 2012</b>	<b>21,199,634</b>	<b>–</b>	<b>5,757,943</b>	<b>12,544,696</b>	<b>39,502,273</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Notes	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>			
Profit before tax and distribution to unitholders		1,375,550	3,956,934
Adjustments for:			
Increase in fair value of investment properties		(938,451)	(3,299,400)
Change in fair value of derivative components of convertible bonds		56,689	(336,169)
Change in fair value of rental stabilisation arrangement		–	(17)
Gain on settlement of convertible bonds		–	(219)
Manager's fee payable in units		59,772	55,072
Interest income		(5,090)	(4,084)
Finance costs		234,641	347,763
Operating cash flow before movements in working capital		783,111	719,880
Decrease (increase) in trade and other receivables		4,089	(5,721)
Decrease in trade and other payables		(23,300)	(14,276)
Increase in deposits received		9,253	30,869
Cash generated from operations		773,153	730,752
Interest paid		(78,379)	(129,754)
Hong Kong Profits Tax paid		(25,780)	(492)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>668,994</b>	<b>600,506</b>
<b>INVESTING ACTIVITIES</b>			
Interest received		5,254	3,596
Cash received from rental stabilisation arrangement		–	6,050
Settlement of loan receivables	15	–	55,307
Additions to investment properties		(4,249)	–
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>1,005</b>	<b>64,953</b>
<b>FINANCING ACTIVITIES</b>			
Bank origination fees		–	(52,500)
Redemption of convertible bonds	20	–	(841,803)
New bank loan raised		–	7,000,000
Repayment of a bank loan		–	(7,000,000)
Settlement upon conversion of convertible bonds	20	–	(2,153)
Distribution paid		(592,317)	(536,725)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(592,317)</b>	<b>(1,433,181)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>77,682</b>	<b>(767,722)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>1,292,752</b>	<b>2,038,090</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>		<b>1,370,434</b>	<b>1,270,368</b>

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## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 1. General

Champion Real Estate Investment Trust ("Champion REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units are listed on The Stock Exchange of Hong Kong Limited. 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 principal activity of Champion REIT and its controlled entities (the "Group") is to own and invest in income-producing commercial properties in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

The 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, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In prior year, the Group early adopted the Amendments to HKAS 12 "Income Taxes" in respect of the recognition of deferred tax on investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" and are presumed to be recovered through sale. In the current interim period, the Group has applied, for the first time, other amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied other new and revised HKFRSs that have been issued but not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>1</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 2. Principal Accounting Policies (continued)

The Manager anticipates that the application of these new and revised HKFRSs 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.

#### 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 2012

	Citibank Plaza HK\$'000 (unaudited)	Langham Place HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>Segment revenue</b>	<b>596,808</b>	<b>413,975</b>	<b>1,010,783</b>
<b>Segment results – Net property income</b>	<b>499,418</b>	<b>330,751</b>	<b>830,169</b>
Interest income			5,090
Manager's fee			(99,620)
Trust and other expenses			(7,210)
Increase in fair value of investment properties			938,451
Change in fair value of derivative components of convertible bonds			(56,689)
Finance costs			(234,641)
<b>Profit before tax and distribution to unitholders</b>			<b>1,375,550</b>
Income taxes			(108,873)
<b>Profit for the period, before distribution to unitholders</b>			<b>1,266,677</b>
Distribution to unitholders			(577,384)
<b>Profit for the period, after distribution to unitholders</b>			<b>689,293</b>

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:

Manager's fee	(59,930)	(39,690)	(99,620)
(Decrease) increase in fair value of investment properties	(187,049)	1,125,500	938,451



### 3. Segment Information (continued)

#### Segment Revenue and Results (continued)

For the six months ended 30 June 2011

	Citibank Plaza HK\$'000 (unaudited)	Langham Place HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>Segment revenue</b>	569,873	380,561	950,434
<b>Segment results – Net property income</b>	463,581	301,301	764,882
Interest income			4,084
Manager's fee			(91,786)
Trust and other expenses			(8,288)
Increase in fair value of investment properties			3,299,400
Change in fair value of derivative components of convertible bonds			336,169
Change in fair value of rental stabilisation arrangement			17
Gain on settlement of convertible bonds			219
Finance costs			(347,763)
<b>Profit before tax and distribution to unitholders</b>			3,956,934
Income taxes			(79,759)
<b>Profit for the period, before distribution to unitholders</b>			3,877,175
Distribution to unitholders			(517,955)
<b>Profit for the period, after distribution to unitholders</b>			3,359,220

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:

Manager's fee	(55,630)	(36,156)	(91,786)
Increase in fair value of investment properties	2,527,900	771,500	3,299,400

#### Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2012, the fair values of Citibank Plaza and Langham Place were HK\$36,255,000,000 (31.12.2011: HK\$36,437,800,000) and HK\$19,545,000,000 (31.12.2011: HK\$18,419,500,000) respectively.

Save as abovementioned, no other assets and liabilities are regularly reviewed by the CODM.

## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 4. Rental Income

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Rental income	899,905	846,280
Car park income	15,314	14,154
	<b>915,219</b>	<b>860,434</b>

### 5. Property Operating Expenses

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Building management expenses	95,515	89,332
Car park operating expenses	3,952	4,159
Government rent and rates	33,408	30,139
Legal cost and stamp duty	1,205	3,115
Promotion expenses	4,844	4,848
Property and lease management service fee	27,532	25,683
Property miscellaneous expenses	968	1,056
Rental commission	10,896	26,393
Repairs and maintenance	2,294	827
	<b>180,614</b>	<b>185,552</b>

### 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 2012 and 2011, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2012 and 2011 as remuneration.

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Manager's fee:		
In the form of units	59,772	55,072
In the form of cash	39,848	36,714
	<b>99,620</b>	<b>91,786</b>

Pursuant to election allowed by the Trust Deed on 14 January 2011, 60% of Manager's fee for the six months ended 30 June 2012 and 2011 arising from the properties currently owned by Champion REIT shall be settled in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 40% will be received in cash.

## 7. Finance Costs

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	65,350	101,087
Interest expense on convertible bonds wholly repayable within five years	168,375	179,586
Release of cumulative loss on hedging instrument (note 21)	–	66,074
Other borrowing costs	916	1,016
	<b>234,641</b>	<b>347,763</b>

## 8. Profit before Tax and Distribution to Unitholders

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging:		
Auditor's remuneration	1,029	1,329
Trustee's fee	4,889	4,584
Principal valuer's fee	80	120
Other professional fee and charges	859	2,189
Roadshow and public relations expenses	32	8
Bank charges	66	55

## 9. Income Taxes

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	67,747	29,371
Deferred tax (note 22)		
– Current year	41,126	50,388
	<b>108,873</b>	<b>79,759</b>

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 2012

### 10. Total Distributable Income

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

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	1,266,677	3,877,175
Adjustments:		
Manager's fees payable in units	59,772	55,072
Increase in fair value of investment properties	(938,451)	(3,299,400)
Change in fair value of derivative components of convertible bonds	56,689	(336,169)
Change in fair value of rental stabilisation arrangement	–	(17)
Non-cash gain	–	(741)
Non-cash finance costs	155,725	222,476
Deferred tax	41,126	50,388
Total distributable income	641,538	568,784

### 11. Distribution Statement

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Total distributable income (note 10)	641,538	568,784
Percentage of distributable income for distribution (note (i))	90%	90%
Distributable income for Interim Distribution Period	577,384	511,905
Additional amount (note (i))	–	6,050
Total distribution amount to be paid	577,384	517,955
Distribution per unit to unitholders (note (ii))	HK\$0.1161	HK\$0.1045

Notes:

- (i) It is the policy of the Manager to distribute 90% (1.1.2011 to 30.6.2011: 90%) of available distributable income as the distributions for the six months ended 30 June 2012 (the "Interim Distribution Period"). For the Interim Distribution Period in 2011, an additional amount of HK\$6,050,000 was distributed at the discretion of the Manager for the amount received according to the rental stabilisation arrangement previously entered into by the Group.
- (ii) The interim distribution per unit of HK\$0.1161 for the six months ended 30 June 2012 is calculated based on the interim distribution to be paid of HK\$577,384,000 for the period and 4,973,275,011 units in issue as at 30 June 2012. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 24 September 2012, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 9 October 2012.

The interim distribution per unit of HK\$0.1045 for the six months ended 30 June 2011 was calculated based on the interim distribution paid of HK\$517,955,000 for the period and 4,956,590,003 units as of 14 September 2011, which was the record date for the period. The interim distribution was paid to unitholders on 3 October 2011.

## 12. Basic and Diluted Earnings Per Unit

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

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit for the period, before distribution to unitholders for the purpose of basic earnings per unit	1,266,677	3,877,175
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	–	173,930
Change in fair value of derivative components of convertible bonds	–	(336,169)
Gain on settlement of convertible bonds	–	(219)
Profit for the period, before distribution to unitholders for the purpose of diluted earnings per unit	<u>1,266,677</u>	<u>3,714,717</u>

	2012 (unaudited)	2011 (unaudited)
<b>Number of units</b>		
Weighted average number of units for the purpose of basic earnings per unit	4,971,945,796	4,941,101,646
Effect of dilutive potential units:		
Convertible bonds	–	1,432,558,288
Weighted average number of units for the purpose of diluted earnings per unit	<u>4,971,945,796</u>	<u>6,373,659,934</u>

For the six months ended 30 June 2012, 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 2012

### 13. Investment Properties

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<b>FAIR VALUE</b>		
At the beginning of the period/year	54,857,300	50,222,600
Additions during the period/year	4,249	–
Increase in fair value during the period/year	938,451	4,634,700
At the end of the period/year	55,800,000	54,857,300

The fair value of the Group's investment properties at 30 June 2012 and 31 December 2011 has been arrived at on the basis of valuation carried out by Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group, respectively. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at 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 4.1% to 4.25% (31.12.2011: 4.1% to 4.5%) and 3.5% to 4.1% (31.12.2011: 4.0% to 4.2%), respectively.

The Group's property interests held under finance 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.

As at 30 June 2012, investment properties with total fair value of HK\$49,961,000,000 (31.12.2011: HK\$49,072,300,000) have been mortgaged as security for credit facilities and convertible bonds as detailed in notes 19 and 20, respectively.

## 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.

For the six months ended 30 June 2011, the shortfall of New Property Income was HK\$22,811,000. As the remaining balance of the Maximum Rental Stabilisation Amount is less than the shortfall, the entire remaining balance of HK\$6,050,000 was paid out of the designated escrow account and received by the Group on 30 June 2011. Under the terms and conditions of the Arrangement, Kerry shall have no further obligation to make further payments when all the funds in the designated escrow account have been exhausted.

The Arrangement was accounted for as a financial derivative and measured at fair value of the end of the reporting period. The fair value gain for the six months ended 30 June 2011 of HK\$17,000 was credited to the condensed consolidated income statement.

## 15. Loan Receivables

On 24 May 2011, an amount of HK\$55,307,000 was received from the interest rate swap counterparty upon the expiry of the interest rate swaps.

## 16. Trade and other Receivables

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
Trade receivables	9,549	16,788
Deferred rent receivables	115,724	112,445
Deposits, prepayments and other receivables	50,508	50,801
	<b>175,781</b>	<b>180,034</b>

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 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
0 – 3 months	9,549	16,788

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$9,549,000 (31.12.2011: HK\$16,788,000) 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 2012

### 17. Bank Balances and Cash

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
Cash on hand	6	6
Cash at bank	843,444	563,123
Time deposits	526,984	729,623
	<b>1,370,434</b>	<b>1,292,752</b>

Bank balances carry interest at market rate of 0.001% to 0.35% per annum (31.12.2011: 0.001% to 0.35% per annum). Time deposits with a maturity of less than three months carry interest at market rates which range from 0.82% to 1.05% per annum (31.12.2011: 1.2% to 1.57% per annum).

### 18. Trade and other Payables

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
Trade payables	39,077	64,124
Rental received in advance	11,701	18,251
Other payables	135,567	124,126
Accrued stamp duty	963,475	963,475
	<b>1,149,820</b>	<b>1,169,976</b>

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31.12.2011: 4.25%) 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.

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

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
0 – 3 months	39,077	64,124



## 19. Secured Term Loans

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
Secured term loans	9,454,000	9,454,000
Loan front-end fees	(36,144)	(46,519)
	<b>9,417,856</b>	<b>9,407,481</b>
The maturity of the secured term loans is as follows:		
Within one year	2,451,021	–
More than one year but not exceeding two years	6,966,835	2,449,397
More than two years but not exceeding five years	–	6,958,084
	<b>9,417,856</b>	<b>9,407,481</b>
Less: amount due within one year shown under current liabilities	<b>(2,451,021)</b>	–
Amount due after one year	<b>6,966,835</b>	<b>9,407,481</b>

The secured term loans comprise the following:

- (i) In relation to the term loan facility of HK\$7,000,000,000, which was refinanced by the Group on 24 May 2011, the facility bears interest at a floating interest rate of HIBOR plus 0.93% per annum and is repayable on 24 May 2014.

As security for the facility granted to the Group, investment properties with fair value of HK\$30,416,000,000 as at 30 June 2012 (31.12.2011: HK\$30,652,800,000) 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, the total facilities drawn down by the Group as at 30 June 2012 is HK\$2,454,000,000 (31.12.2011: HK\$2,454,000,000). The facilities bear interest at a floating interest rate of HIBOR plus 0.59% per annum and are repayable in full in June 2013.

As security for the facilities granted to the Group, investment properties with fair value of HK\$19,545,000,000 as at 30 June 2012 (31.12.2011: HK\$18,419,500,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

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## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 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 which matured on 23 May 2011 ("2006 Bonds").

During the six months ended 30 June 2011, the 2006 Bonds Issuer elected to pay the bondholders the full amount in cash of HK\$2,153,000 to settle the 2006 Bonds with the aggregate principal amount of HK\$2,000,000 and resulted in a gain of HK\$219,000 being recognised in profit or loss. On 23 May 2011, the 2006 Bonds Issuer redeemed the remaining principal of HK\$763,000,000 at the redemption price of 110.328% by an aggregate amount of HK\$841,803,000. Following the redemption, certain investment properties together with the assignment of insurance proceeds which were granted and mortgaged in favour of the bond holders were released and discharged.

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 June 2013 ("2008 Bonds"). As security for the 2008 Bonds, certain investment properties with a fair value of HK\$19,545,000,000 as at 30 June 2012 (31.12.2011: HK\$18,419,500,000) together with the assignment of insurance proceeds were 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\$3.44 per unit which came into effect since 16 May 2012 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; or (b) units, as calculated in accordance to the terms and conditions of the 2008 Bonds.

#### Redemption

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

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

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

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

## 20. Convertible Bonds (continued)

During the six months ended 30 June 2011, a principal amount of HK\$10,000 of the 2008 Bonds was converted to 2,770 units of Champion REIT. In the second half of the year ended 31 December 2011, a total principal amount of HK\$55,000,000 of the 2008 Bonds was repurchased at 119% of its principal amounts, resulting in a gain of HK\$1,895,000 recognised in the profit or loss. The repurchased 2008 Bonds were cancelled on 9 December 2011.

As at 31 December 2011 and 30 June 2012, the principal amount of 2008 Bonds was HK\$4,604,990,000.

As at 30 June 2012, Great Eagle Holdings Limited ("Great Eagle"), a significant unitholder of Champion REIT, through its directly wholly-owned subsidiary, Bright Form Investments Limited, held an aggregate principal amount of HK\$2,340,000,000 of 2008 Bonds (31.12.2011: HK\$2,340,000,000).

The 2008 Bonds contain liability components stated at amortised cost and derivative components stated at fair value. The effective interest rate of the liability component is 6.375% per annum.

As at 30 June 2012, 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 2012	At 31 December 2011
Unit price	HK\$3.21	HK\$2.92
Risk-free rate of interest	0.15%	0.30%
Dividend yield	7.24%	7.13%
Historical volatility (with similar time to maturity)	42%	45%

## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 20. Convertible Bonds (continued)

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

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<b>Liability component</b>		
At the beginning of the period/year	5,282,045	5,896,323
Interest charged	168,375	344,988
Interest paid	(23,025)	(52,553)
Conversion during the period/year	–	(2,203)
Redemption during the period/year	–	(841,803)
Repurchase during the period/year	–	(62,707)
At the end of the period/year	<b>5,427,395</b>	<b>5,282,045</b>
<b>Derivative components</b>		
At the beginning of the period/year	350,677	1,602,171
Change in fair value	56,689	(1,246,398)
Conversion during the period/year	–	(183)
Repurchase during the period/year	–	(4,913)
At the end of the period/year	<b>407,366</b>	<b>350,677</b>
<b>Total convertible bonds</b>	<b>5,834,761</b>	<b>5,632,722</b>

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
The maturity of the above convertible bonds is as follows:		
Within one year	5,834,761	–
More than one year but not exceeding two years	–	5,632,722
	<b>5,834,761</b>	<b>5,632,722</b>
Less: amount due within one year shown under current liabilities	<b>(5,834,761)</b>	–
Amount due after one year	–	5,632,722

## 21. Derivative Financial Instruments

The Group used interest rate swaps to minimise the exposure to movements in interest rate swaps 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 considered that the interest rate swaps were highly effective hedging instruments. On 24 May 2011, the interest rate swaps expired upon the maturity of the corresponding term loan.

As a result of an amendment to the terms of the interest rate swaps in 2008, the cumulative loss on the interest rate swaps from inception of the hedge until the amendment was released to condensed consolidated income statement over the periods during the variability of interest payment in relation to the secured term loan affects the condensed consolidated income statement. During the six months ended 30 June 2011, release of such cumulative losses from the hedging reserve amounted to HK\$66,074,000.

## 22. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At the beginning of the period	312,935	(18,481)	294,454
Charge to condensed consolidated income statement during the period	37,347	3,779	41,126
<b>At the end of the period</b>	<b>350,282</b>	<b>(14,702)</b>	<b>335,580</b>

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.

As at 30 June 2012, the Group has unutilised tax losses of HK\$971,486,000 (31.12.2011: HK\$877,148,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$89,103,000 (31.12.2011: HK\$112,007,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$882,383,000 (31.12.2011: HK\$765,141,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

## 23. Number of Units in Issue

	Number of units	HK\$'000 (unaudited)
At 1 January 2012	4,956,590,003	21,142,221
Units issued for settlement of Manager's fee	16,685,008	57,413
<b>At 30 June 2012</b>	<b>4,973,275,011</b>	<b>21,199,634</b>

On 6 March 2012, 16,685,008 units at HK\$3.441 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2011 to 31 December 2011.

## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 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 2012 of HK\$39,502,273,000 (31.12.2011: HK\$38,755,567,000) by the number of units in issue of 4,973,275,011 (31.12.2011: 4,956,590,003 units) as at 30 June 2012.

### 25. Net Current Liabilities

At 30 June 2012, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$8,995,312,000 (31.12.2011: HK\$767,076,000).

### 26. Total Assets less Current Liabilities

At 30 June 2012, the Group's total assets less current liabilities amounted to HK\$46,804,688,000 (31.12.2011: HK\$54,090,224,000).

### 27. Major Non-Cash Transaction

During the six months ended 30 June 2012, 16,685,008 units (1.1.2011 to 30.6.2011: 11,634,743 units) were issued as payment for the Manager's fee from 1 July 2011 to 31 December 2011, amounting to HK\$57,413,000 (1.1.2011 to 30.6.2011: HK\$53,753,000).

### 28. Operating Lease Commitments

As at 30 June 2012, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
Within one year	1,676,923	1,660,691
In the second to fifth year inclusive	2,479,169	2,825,335
Over five years	11,976	20,665
	<b>4,168,068</b>	<b>4,506,691</b>

The properties held had committed leases usually running for two to six years and rentals were predetermined at fixed amounts except for certain leases of which contingent rentals were charged based on the percentage of sales of the tenants. Contingent rental income of HK\$44,577,000 (1.1.2011 to 30.6.2011: HK\$23,083,000) 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 agreements.

## 29. Connected and Related Party Transactions

During the period, in addition to those disclosed in note 20, the Group entered into the following transactions with connected and related parties:

	Notes	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<i>Rental income</i>			
China Mobile Hong Kong Company Limited	(a)	117	112
Langham Hotels International Limited	(b)	5,294	5,054
Langham Place Hotel (HK) Limited	(b)	1,641	1,641
Strong Dynamic Limited	(b)	3,300	3,300
The Great Eagle Properties Management Company, Limited	(b)	2,244	1,867
Eagle Asset Management (CP) Limited	(b)	197	197
Eagle Property Management (CP) Limited	(b)	1,500	1,376
HSBC Group <sup>1</sup>	(c)	22,221	22,248
<i>Interest income</i>			
HSBC Group <sup>1</sup>	(c)	2,681	577
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	1,594	1,476
The Great Eagle Properties Management Company, Limited	(b)	223	217
Langham Hotels International Limited	(b)	699	699
Langham Place Hotel (HK) Limited	(b)	271	271
Eagle Property Management (CP) Limited	(b)	163	163
HSBC Group <sup>1</sup>	(c)	2,162	2,039
<i>Building management fee</i>			
The Great Eagle Properties Management Company, Limited	(b)	81,441	74,721
Longworth Management Limited	(b)	15,311	15,311
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	27,532	25,683
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(b)	6,812	9,162
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	950	301
Toptech Co. Limited	(b)	257	41
Keysen Engineering Company, Limited	(b)	151	16
The Great Eagle Properties Management Company, Limited	(b)	2	4
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	3,058	618
Toptech Co. Limited	(b)	836	798
Keysen Engineering Company, Limited	(b)	369	52
The Great Eagle Properties Management Company, Limited	(b)	2	4
Sun Fook Kong Housing Services Limited	(e)	8	–

## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 29. Connected and Related Party Transactions (continued)

	Notes	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	19	18
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	(b)	–	15
Clever Gain Investment Limited (trade as Yat Tung Heen)	(b)	24	–
<i>Trustee's fee and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	4,889	4,584
HSBC Group <sup>1</sup>	(c)	36	38
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(b) & (f)	99,620	91,786
<i>Finance costs</i>			
Hang Seng Bank Limited <sup>2</sup>	(c)	55,341	37,869
Bright Form Investments Limited <sup>4</sup>	(b)	84,263	79,919
<i>Valuation fee</i>			
Savills Valuation and Professional Services Limited	(d)	80	–
Knight Frank Petty Limited	(d)	–	120

Balances with connected and related parties are as follows:

	Notes	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (g)	25,942	25,942
Longworth Management Limited	(b) & (g)	15,311	15,311
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	10,540	21,849
Eagle Asset Management (CP) Limited	(b) & (g)	99,620	95,689
Toptech Co. Limited	(b) & (g)	579	208
The Great Eagle Engineering Company Limited	(b) & (g)	1,496	434
The Great Eagle Properties Management Company, Limited	(b) & (g)	6,308	12,611
Keysen Engineering Company, Limited	(b) & (g)	177	69
The Great Eagle Company, Limited	(b) & (g)	1	1
Langham Place Hotel (HK) Limited	(b) & (g)	–	15



## 29. Connected and Related Party Transactions (continued)

Balances with connected and related parties are as follows: (continued)

	Notes	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
China Mobile Hong Kong Company Limited	(a)	39	39
Eagle Property Management (CP) Limited	(b) & (h)	–	–
The Great Eagle Properties Management Company, Limited	(b)	1,040	1,040
Strong Dynamic Limited	(b) & (i)	–	–
Langham Hotel International Limited	(b) & (j)	–	–
Langham Place Hotel (HK) Limited	(b) & (k)	15	15
HSBC Group <sup>1</sup>	(c)	9,072	9,072

Notes:

- (a) This company is an associate<sup>3</sup> of Dr. Lo Ka Shui (a non-executive director and the Chairman of the Manager 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 subsidiaries of Great Eagle, a significant unitholder of Champion REIT units.
  - (c) These companies are the Trustee or associates<sup>3</sup> of the Trustee.
  - (d) This company is the principal valuer of Champion REIT or its associates<sup>3</sup>.
  - (e) This company is a subsidiary of SFK Construction Holdings Limited ("SFK"), which is an associate<sup>3</sup> of Mr. Lo Kai Shui, a non-executive director of the Manager of Champion REIT and a director of Great Eagle, 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 provided that Champion REIT achieves net property income of HK\$200 million for each of the six month period ended 30 June 2012 and 30 June 2011.
  - (g) The amounts due from and due to related parties are unsecured, interest-free and have no fixed repayment terms.
  - (h) A bank guarantee of HK\$859,000 (31.12.2011: HK\$859,000) was received in lieu of deposit.
  - (i) A bank guarantee of HK\$2,585,000 (31.12.2011: HK\$2,585,000) was received in lieu of deposit.
  - (j) A bank guarantee of HK\$3,127,000 (31.12.2011: HK\$3,121,000) was received in lieu of deposit.
  - (k) In addition to HK\$15,000 (31.12.2011: HK\$15,000) received as damage deposit, a bank guarantee of HK\$1,154,000 (31.12.2011: HK\$1,154,000) was received in lieu of deposit.
- 1 HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.
  - 2 Hang Seng Bank Limited is the facility agent under both the term loan facility of HK\$7,000 million and term loan and revolving credit facilities of HK\$2,954 million. As at 30 June 2012, total loan outstanding under these two facilities was HK\$9,454 million.
  - 3 As defined in the Code.
  - 4 The finance costs represent effective interest for the aggregate principal amount of HK\$2,340,000,000 of 2008 Bonds held by Bright Form Investments Limited as at 30 June 2012.

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## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 30. Events after the end of the Reporting Period

The 2008 Bonds Issuer has issued an invitation memorandum to all bondholders of the 2008 Bonds on 13 August 2012 inviting them to convert their bonds up to a maximum invitation amount of HK\$2,750 million and to receive an incentive payment of HK\$2,215 for each HK\$10,000 principal amount of bonds converted. Details of the invitation memorandum is included in the announcement of Champion REIT dated 13 August 2012.

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## Investment Properties Portfolio

As at 30 June 2012

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	88.7%	36,255.0
Langham Place	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	1,293,000	1,022,000	98.6%	19,545.0

## Performance Table

	Notes	2012 (unaudited)	2011 (unaudited)	2010 (unaudited)	2009 (unaudited)	2008 (unaudited)
<b>As at 30 June:</b>						
Net asset value (HK\$'000)	1	39,502,273	36,677,252	29,150,470	27,110,663	31,896,398
Net asset value per unit (HK\$)	1	7.94	7.42	5.91	5.85	7.22
The highest traded price during the period (HK\$)		3.530	5.010	3.920	2.760	4.850
The highest premium of the traded price to net asset value	2	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)		2.900	4.320	3.230	1.560	3.500
The highest discount of the traded price to net asset value	1	63.48%	41.79%	45.35%	73.33%	51.52%
<b>For the six months ended 30 June:</b>						
Distribution yield per unit	3	3.62%	2.39%	2.96%	5.13%	4.95%
Annualized distribution yield per unit		7.23%	4.78%	5.93%	10.27%	9.90%
Net profit yield per unit	1 & 4	7.93%	17.95%	5.49%	25.74%	19.26%
Annualized net profit yield per unit	1 & 4	15.86%	35.90%	10.98%	51.48%	38.52%

### Notes:

1. The comparative figures have been restated as a result of adoption of the amendments to HKAS 12, "Income Taxes".
2. The highest traded price is lower than the net asset value. Accordingly, no premium of the traded price to net asset value is presented.
3. Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1161 for the six months ended 30 June 2012 (which calculation was set out in the Distribution Statement) over the traded price of HK\$3.21 as at 29 June 2012.
4. 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 2012 over the traded price of HK\$3.21 as at 29 June 2012.



3008 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道23號鷹君中心3008室  
Tel 電話 (852) 2879 1288 Fax 傳真 (852) 2827 1338 [www.ChampionReit.com](http://www.ChampionReit.com)