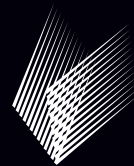


ANNUAL REPORT
2012



Champion REIT
冠君產業信託



KEEPING COMPOSURE

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

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 Asia. 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.

TIMELINE OF SIGNIFICANT EVENTS

20
12

**13 MAR
2012**

Trust Deed amended to facilitate delivery of corporate communications by electronic means

**16 MAR
2012**

Unitholders can now choose means and language of corporate communications



**13 AUG
2012**

2012 Interim Results



**13 AUG
2012**

Invitation to Convert 2008 Convertible Bonds due 2013

**24 AUG
2012**

Conversion of HK\$2,340 million of Bonds into 680.3 mil Units

**9 OCT
2012**

Payment of 2012 Interim Distribution

**30 NOV
2012**

Announcement that Manager's Fees in Units will be reduced to 50% for 2013

**6 DEC
2012**

Launch of US\$1 billion Medium Term Note Platform



**17 JAN
2013**

Drawdown of US\$400 million 10 Year Notes at 3.75%

**21 FEB
2013**

Announcement of 2012 Final Results

**18 MAR
2013**

Publication of 2012 Annual Reports

20
13



**26 APR-
2 MAY
2013**

Closure of Register of Unitholders

**2 MAY
2013**

Annual General Meeting

**21 MAY
2013**

Payment of 2012 Final Distribution

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December

2008	2009	2010	2011	2012	Profit (HK\$ mil)
\$1,614	\$2,035	\$1,876	\$1,940	\$2,059	Total Revenue
(\$280)	(\$326)	(\$367)	(\$378)	(\$393)	Property Operating Expenses
\$1,334	\$1,709	\$1,509	\$1,562	\$1,666	Net Property Income
(\$3,230)	\$4,197	\$5,309	\$6,493	\$4,160	Profit After Tax

2008	2009	2010	2011	2012	Distributions (HK\$)
\$1,037	\$1,312	\$1,084	\$1,170	\$1,254	Distributable Income (mil)
\$1,408	\$1,242	\$1,067	\$1,111	\$1,186	Distribution Amount (mil)
\$0.318	\$0.261	\$0.216	\$0.224	\$0.209	Distribution per Unit
\$0.217	\$0.277	\$0.228	\$0.236	\$0.221	DPU (Underlying) [^]

2008	2009	2010	2011	2012	Valuation (HK\$)
\$40,049	\$44,241	\$50,223	\$54,857	\$58,297	Gross Value of Portfolio (mil)
\$5.47	\$5.86	\$6.72	\$7.82	\$7.80	Net Asset Value per Unit

2008	2009	2010	2011	2012	Financial Ratios
17.3%	16.0%	19.6%	19.5%	19.1%	Expense Ratio
100.0%	94.6%	94.8%	94.4%	94.6%	Payout Ratio
36.0%	32.2%	28.4%	25.0%	20.4%	Gearing Ratio

2008	2009	2010	2011	2012	Operational Statistics
97.9%	87.6%	81.5%	90.4%	89.1%	Citibank Plaza Occupancy
\$87.46	\$90.07	\$84.67	\$85.15	\$85.12	... and Passing Rent (HK\$ psf)
98.3%	98.5%	99.4%	96.8%	99.2%	Langham Place Office Occupancy
\$26.79	\$26.82	\$26.40	\$27.43	\$28.36	... and Passing Rent (HK\$ psf)
97.7%	100.0%	99.2%	100.0%	100.0%	Langham Place Mall Occupancy
\$88.90	\$88.61	\$97.48	\$100.77	\$114.89	... and Passing Rent (HK\$ psf)

[^] adjusted for cashflow from special distributions and using 100% payout ratio

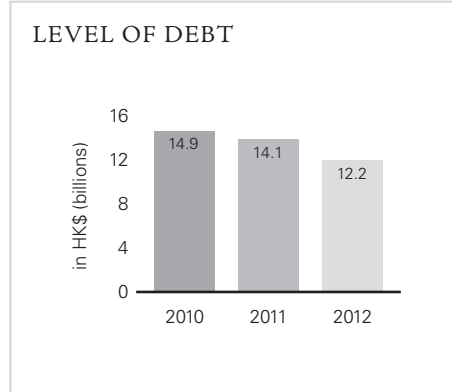
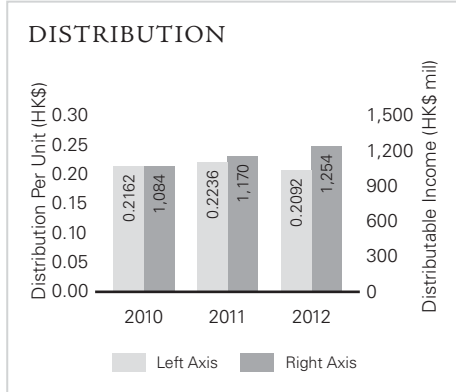
CHAIRMAN'S REPORT TO UNITHOLDERS

THE DISTRIBUTABLE INCOME FOR THE PERIOD WAS UP 7.1%, TO HK\$1,254 MILLION. THE DISTRIBUTION AMOUNT, IS HK\$1,186 MILLION, AN INCREASE OF 6.8%.

IN RECENT MONTHS, CHAMPION REIT HAS TAKEN STEPS TO STRENGTHEN ITS CAPITAL STRUCTURE. AT THE END OF 2012 CHAMPION REIT LAUNCHED ITS NEW UNSECURED MEDIUM TERM NOTE PLATFORM. IT WILL SERVE TO DIVERSIFY THE TRUST'S SOURCES OF FUNDING, LENGTHEN DEBT MATURITIES AND LOCK IN LONG TERM RATES.

Dr. Lo Ka Shui
Chairman





Total Revenue for 2012 improved by 6.1% to HK\$2,059 million. This was an across-the-board improvement with income growth at each of our individual properties. Income at Citibank Plaza increased due to a higher average occupancy rate in spite of a challenging office leasing environment in Central. At the same time, our Langham Place Office Tower continued to capitalize on the buoyant office market outside of Central. The Langham Place Mall also turned in a strong performance on rising retail and tourist spending in Hong Kong. Total Net Property Income improved by 6.6% over the previous year, to HK\$1,666 million.

In recent months, Champion REIT has taken steps to strengthen its capital structure. In August 2012, we issued an invitation to convertible bondholders to convert their bonds. As a result, bonds in a total nominal value of HK\$ 2,340 million were converted. The Trust's debt decreased from HK\$14,059 million to HK\$12,219 million as of 31 December 2012, primarily because of this exercise. The Gearing Ratio saw a corresponding improvement, decreasing from 25.0% to 20.4%. The appraised value of the REIT's properties increased 6.3% to HK\$58,297 million. Net Asset Value per Unit however decreased marginally from HK\$7.82 to HK\$7.80 due to the new Units issued in association with the bond conversion.

Profit After Tax decreased to HK\$4,160 million for the year mainly due to lower net revaluation gains of only HK\$3,435 million as compared to HK\$4,635 million for 2011. Excluding revaluation gains and other items that are non-cash in nature, Distributable Income for the Period was up 7.1%, to HK\$1,254 million. The Distribution Amount, after retention of HK\$68 million, is HK\$1,186 million, an increase of 6.8% over that of 2011. The effective distribution ratio for 2012 is 94.6%. The Distribution Per Unit ("DPU") for the second half of the year is HK\$0.1074. Combined with the HK\$0.1018 paid out for the first half, the total DPU for the year is HK\$0.2092, which is down 6.4% from HK\$0.2236 for 2011, due to the conversion of bonds.

On the financing side, we are expecting a higher cost of funding in 2013. We have taken steps to reduce our reliance on the banking market and secured some long-term funding by issuing medium-term notes. At the end of 2012 Champion REIT launched a new unsecured Medium Term Note ("MTN") platform. It will serve to diversify the Trust's sources of funding, lengthen debt maturities and lock in long term rates. Early in January 2013, taking advantage of a window of high liquidity, US\$400 million of 10-year notes at a coupon rate of 3.75% were issued. While the Hong Kong Interbank Offered Rates should remain low, the credit spreads charged by banks upon refinancing will be materially higher. The transition of a portion of our debt to a long term unsecured basis will also entail some higher interest costs in the short term, as the benefits of fixed-rate funding will be felt over a long period. Furthermore, the early drawdown of our MTN to take advantage of a liquidity window in the bond market will entail extra interest costs until refinancing takes place in early June. Taking into account these factors, an increase in interest expenses for 2013 is expected.

Overall, there has yet to be any strong signals of a turnaround in the Central office market and there could be some moderate downside for the income of Citibank Plaza in the coming year. Fortunately, the strong rental growth at both the Langham Place Office Tower and Langham Place Mall should be able to offset any potential income weakness at Citibank Plaza. Nonetheless higher interest costs may hold back the growth in our Distributable Income. We will continue to monitor our various financing options to optimize our capital structure and funding costs. At the same time, we will continue to actively manage our two trophy assets to maximize rental income over the long term.

LO Ka Shui
Chairman



A FLEXIBLE APPROACH TO LEASING

OUR LEASING STRATEGY IS TO MAXIMIZE CUMULATIVE
RENTAL INCOME OVER TIME

Citibank Plaza

During 2012 the Central Grade-A office market continued to be plagued by weak demand from banks, whose business scopes have been curtailed by tighter regulations. The lingering uncertainties associated with the Euro debt crisis and the looming U.S. Fiscal Cliff also did not help sentiments. Notwithstanding the limited new supply of office space, the overall vacancy in Central went up during course of the year. Rental rates continued their downward trend from 2011 and saw further corrections in the early part of the year. However towards the end of the year the decline in rent rates began to moderate with the help of demand from mainland-Chinese corporates as well as fund managers and law firms building an initial presence in Hong Kong.

Passing rental rates (the average rental rate of existing tenancies) have stayed around HK\$85-86 per sq. ft. throughout 2012 as rent rates achieved on new and renewal leases were as a whole more or less equal to the rates of expiring leases. The average monthly passing rent as of yearend 2012 was HK\$85.12 per sq. ft. The occupancy rate at Citibank Plaza remained relatively steady through the year. It was 90.4% at the beginning of the year, 88.7% by midyear and 89.1% as of 31 December. The average occupancy for 2012 was 89.0%, which was higher than that of 87.6% for 2011. Because of that, revenue from Citibank Plaza increased by 4.5% to HK\$1,206 million.

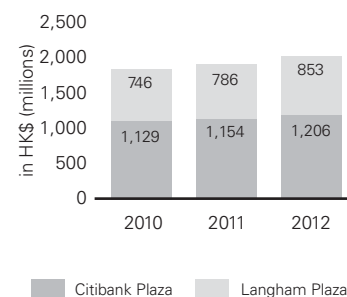
Operating expenses fell 1.5% to HK\$205 million. While there was a HK\$27 million reduction in rental commissions because of the smaller amount of leases expiring this year, it was offset by increases in building management fees of HK\$9 million, Government rents and rates of HK\$8 million and promotion expenses of HK\$6 million. The Net Property Income of Citibank Plaza increased 5.8% to HK\$1,001 million.

Langham Place Office Tower

The resilience of the Hong Kong economy outside of the financial sector has sustained demand for office space across all office districts outside of the Central Financial District. Coupled with a relatively low level of new completions during the year, the market for Grade-A offices in Kowloon, including those along the Tsim Sha Tsui / Yau Ma Tei / Mongkok corridor where the Langham Place Office Tower is situated, was generally strong in 2012. As tenants in life-style trades took up more space, the occupancy rate of Langham Place Office Tower improved from 96.8% at the end of 2011 to 99.2% as of 31 December 2012.

Passing rents rose steadily over the course of 2012 from HK\$27.43 at the beginning of the year to HK\$28.36 per sq. ft. at the end as higher rent rates were achieved on rollover of leases.

GROSS REVENUE



NET PROPERTY INCOME





CEO's REVIEW

THE OPERATING ENVIRONMENT WILL REMAIN CHALLENGING AT CITIBANK PLAZA FOR THE COMING YEAR AS DEMAND FROM BANKS WOULD BE WEAK. HOWEVER THERE ARE SOME SIGNS OF IMPROVEMENT.

WE ARE CONFIDENT OF MAINTAINING A HIGH LEVEL OF OCCUPANCY FOR THE LANGHAM PLACE OFFICE TOWER. LANGHAM PLACE MALL HAS REMAINED A LOCATION OF CHOICE FOR POPULAR COSMETICS BRANDS AND MID-PRICED FASHION AND ACCESSORIES RETAILERS. THERE SHOULD CONTINUE TO BE EXCELLENT GROWTH IN RENTAL INCOME FROM THESE ASSETS IN 2013.

Mr. Lee Ching Ming, Adrian
Chief Executive Officer

There was a relatively small portion of leases, amounting to no more than 10% of the total floor area, which expired this year. Therefore the rise in spot rent rates has not been proportionately reflected in the income. Revenue at the Office Tower was HK\$264 million, compared to HK\$254 million for 2011. Operating expenses fell marginally to HK\$48 million and Net Property Income grew at a slightly faster pace than revenue, from HK\$205 million to HK\$216 million.

Langham Place Mall

While retail sales in Hong Kong continued to grow in 2012, the rate of increase was slower than the previous year as visitors from mainland China cut back their spending on luxury goods. The impact on Langham Place Mall was relatively small because of its mid-priced positioning with limited

exposure to the luxury sector. In addition, mainland shoppers at the Mall tend to be frequent visitors from Southern China whose focus tend to be on name-brand cosmetics and mid-priced fashion/accessories as opposed to high-priced luxury items or watch and jewellery. The Mall continued to enjoy growth in foot traffic and remained virtually fully let throughout the year. Shop space in Langham Place continues to be keenly sought after by retailers, so much so that there is considerable leverage in selecting retailers that possess the best potential for sales growth.

The average passing rent rate increased from HK\$100.77 per sq. ft. at the end of 2011 to HK\$114.89 at year-end. This was driven by the growth in gross sales of tenants at the Mall, which improved by 12% year-on-year to HK\$955 per sq. ft. Even as

base rents have been increasing steadily, turnover rents have also been growing, indicating that the sales growth at the Mall has been outpacing the rise in base rents. Turnover rent income increased by 48% from HK\$64 million in 2011 to HK\$95 million in 2012, and the latter equivalent to an additional HK\$24.82 per sq. ft. per month in income over the base rents.

Revenue continued to be on an upward trajectory, increasing by 10.8% from HK\$532 million to HK\$589 million. Expenses increased by 16.2% from HK\$120 million in 2011 to HK\$139 million, mainly due to higher rental commissions as approximately 26% of the leases by floor area were rolled over in 2012, as compared to the 17% in 2011. Net property income for 2012 rose 9.2% to HK\$450 million.

	FY 2012 HK\$'000	FY 2011 HK\$'000	% Change
Citibank Plaza			
Revenue	1,205,962	1,154,144	+4.5%
Operating Expenses	205,403	208,509	-1.5%
Net Property Income	1,000,559	945,635	+5.8%
Langham Place Office			
Revenue	263,927	254,314	+3.8%
Operating Expenses	48,382	49,476	-2.2%
Net Property Income	215,545	204,838	+5.2%
Langham Place Mall			
Revenue	589,125	531,824	+10.8%
Operating Expenses	139,429	120,010	+16.2%
Net Property Income	449,696	411,814	+9.2%

Outlook

The operating environment will remain challenging at Citibank Plaza for the coming year as demand from banks would be weak. However there are some signs of improvement. Economic growth in China began picking up again in the last quarter of 2012 and strength of the Asian stock and debt markets over the past six months is pointing to a stronger year for financial activities in Hong Kong. In the early weeks of 2013, we have seen a higher level of enquiries at the property, with regional banks from China and fund managers from both China and overseas being the most active. At the same time, the lack of new supply in Central and the very low vacancy rates outside of Central have been supportive of rental rates. Only 6.6% out of the 12% of the floor area in Citibank Plaza expiring in 2013 remain outstanding, thereby curtailing the downside to existing occupancy levels. The weighted average rental rate of expiring tenants in 2013 is HK\$84.23 per sq. ft. as compared to HK\$97.70 per sq. ft. last year, greatly reducing the hurdle rate for maintaining revenue. In the mean time, we are sparing no efforts in improving the quality of hardware as well as customer service at Citibank Plaza to enhance its competitiveness in the market.

The low supply of Grade-A office space in Kowloon should continue in 2013. With renewed growth in the Chinese economy, the demand for office space on the Kowloon Peninsula should remain strong. We therefore are confident of maintaining a high level of occupancy for the Langham Place Office Tower in the coming year. The weighted average rental rate of expiring tenancies in 2013 is HK\$30.91 per sq. ft. as compared to the prevailing spot rents ranging from HK\$32 to \$40 per sq. ft. Combining lease expiries and rent reviews scheduled, there should be material positive rental reversion in 2013 when approximately 60% of the building by floor area will have their rents marked to market. Up to the end of January 2013, binding commitments have been secured on 25% of the leases by floor area, with a weighted average rental increase of 19% over the existing rates. We therefore expect to see excellent growth in rental income from this property in 2013.

The Langham Place Mall should continue to benefit from robust retail sales in 2013. With its excellent location, its ever-improving tenant mix and successful marketing campaigns, Langham Place has remained a location of choice for popular cosmetics brands and mid-priced fashion and accessories retailers. In view of the increasing number

of tourist coming to the Mall, more and more international fashion brands are also setting up shops in Langham Place. They tend to command higher sales per sq. ft. and therefore should help lift rental values in the future. In 2012, 26% of the leases by floor area were successfully rolled over with a weighted average increase in base rents of 48% over the old leases. The incremental base rents arising therefrom will be not less than HK\$35 million in 2013. A further 33% of the space in the Mall will have their leases due for rollover in 2013. Up to the end of January 2013, the renewal or re-letting of leases covering 20.8% in floor area has already been committed to. The related rent increases over the 2012 base will be not less than HK\$30 million in 2013. The full annual impact of not less than HK\$65 million should be seen in 2014. It should however be noted that as the base rents are raised, the threshold for calculating extra turnover rents will be higher. Unless tenants' sales continue to outpace the increase in base rents, the amount of turnover rents collectible in 2013 may actually be reduced from the 2012 level. We expect to conclude negotiation on the remaining 12.2% within the coming several months and should also see significantly higher rent rates. Therefore, there should continue to be excellent growth in rental income from Langham Place Mall in 2013.

Lee Ching Ming Adrian

Chief Executive Officer

MANAGEMENT

BOARD OF DIRECTORS



Dr. Lo Ka Shui
Chairman and
Non-executive Director

Mr. Cheng
Wai Chee,
Christopher
Non-executive Director

Mr. Ho
Shut Kan
Non-executive
Director

Mr. Lo
Kai Shui
Non-executive
Director

The Board of the REIT Manager principally oversees the day-to-day management of the REIT Manager's affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board will also review major financial decisions and the performance of the REIT Manager. The Board currently consists of the Chairman, the Chief Executive Officer, and an additional 3 Non-executive directors and 3 independent Non-executive directors.



**Mr. Lee
Ching Ming,
Adrian**
Executive Director
and Chief Executive
Officer

**Mr. Cha
Mou Sing,
Payson**
Independent
Non-executive
Director

**Mr. Ip Yuk
Keung,
Albert**
Independent
Non-executive
Director

**Mr. Shek
Lai Him,
Abraham**
Independent
Non-executive
Director

DR. LO KA SHUI, aged 66, was appointed the Chairman, a Non-executive Director and members of Audit Committee and Disclosures Committee of the REIT Manager in 2006. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited. He is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited. He is also a

Vice President of the Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research, the Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority.

Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and

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

**MR. CHENG WAI CHEE,
CHRISTOPHER,** aged 64, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Cheng is the Chairman of Wing Tai Properties

MANAGEMENT

BOARD OF DIRECTORS

Limited. He is an Independent Non-executive Director of several listed companies, including NWS Holdings Limited, New World China Land Limited, Kingboard Chemical Holdings Limited. He is also a director of DBS Group Holdings Limited and Temasek Foundation CLG Limited. Mr. Cheng plays an active role in public service. He is a member of the Exchange Fund Advisory Committee of the Government of the HKSAR, a council member of The University of Hong Kong, the board of Overseers at Columbia Business School, member of President's Council on International Activities of the Yale University, a steward of The Hong Kong Jockey Club and former Chairman of the Hong Kong General Chamber of Commerce and a member of Judicial Officers Recommendation Commission of the Government of the HKSAR.

Mr. Cheng holds a Doctorate in Social Sciences honoris causa from The University of Hong Kong. He graduated from the University of Notre Dame, Indiana with a Bachelor's Degree in Business Administration and from Columbia University, New York with a Master's Degree in Business Administration.

MR. HO SHUT KAN, aged 64, was appointed a Non-executive Director of the REIT Manager in 2007. He has over thirty years of experience in the property sector. He is currently serving as an Executive Director of Kerry Properties Limited, a listed company in Hong Kong. He is also a director of Shang Properties, Inc. which is listed in the Philippines.

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

MR. LO KAI SHUI, aged 53, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Lo is the Deputy Managing Director of Great Eagle Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange, and the founder of Sun Fook Kong Group Limited. He has more than thirty years of property development, investment and building construction experience and has been involved in numerous construction projects both in public and private sectors.

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

MR. LEE CHING MING, ADRIAN, aged 61, was appointed Chief Executive Officer, an Executive Director, a Responsible Officer and the Chairman of Disclosures Committee of the REIT Manager in 2008. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over thirty-nine years. Prior to joining the REIT Manager, Mr. Lee held senior management positions for more than fourteen years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management of marketing, leasing and sales activities, banking relationships, corporate communications and investor

relations. He was also a Director and the General Manager of Eagle Property Management (CP) Limited, the Property Manager of Champion REIT. Mr. Lee also has over two decades of corporate real estate lending and advisory experience with a multinational banking institution. Mr. Lee is at present a Non-executive Director of Cinderella Media Group Limited.

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

MR. CHA MOU SING, PAYSON,

aged 70, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman of the Board of Directors of HKR International Limited, the Chairman and Non-executive Director of Hanison Construction Holdings Limited and an Independent Non-executive Director of New World Development Company Limited, all of which are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited and the Chairman of Mingly Corporation and a Director of Asia Television Limited. Mr. Cha is also a committee member of the National Committee of the Eleventh Chinese People's Political Consultative Conference of the People's Republic of China. He is also a Director of LBJ Regents Limited and CCM Trust (Cayman) Limited, all of which are substantial shareholders of HKR International Limited.

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

MR. IP YUK KEUNG, ALBERT,

aged 60, was appointed an Independent Non-executive Director and the Chairman of Audit Committee of the REIT Manager in 2011. Mr. Ip is an international banking and real estate professional with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo and Merrill Lynch in Hong Kong, Asia and United States. His areas of expertise are in real estate, corporate banking, financial institutions, transaction banking and wealth management. Mr. Ip was named Managing Director of Citigroup in 2003 and Senior Credit Officer/Real Estate Specialist of Citicorp in 1990. He held senior executive positions at Citigroup such as the Managing Director/Head of Transaction Banking, Corporate Customer and Financial Institutions coverage and Managing Director/Head of Asia Regional Investment Finance of Wealth Management. He was a Managing Director of Investments at Merrill Lynch (Asia Pacific). He is an Independent Non-executive Director and the Audit Committee Chairman of Hopewell Highway Infrastructure Limited and an Independent Non-executive Director of New World China Land Limited, both are listed on the Stock Exchange of Hong Kong Limited.

Mr. Ip is a Council and Court Member of Lingnan University, a Member of International Advisory Board of College of

Business at City University of Hong Kong, a Member and Governor of Technological and Higher Education Institute of Hong Kong, an Advisory Board Member of Faculty of Business Administration, a Member of the International Advisory Committee and an Adjunct Scholar at University of Macau, a Member of International Advisory Council Asia at Washington University in St. Louis and a Council Member of Cornell University. He is an Adjunct Professor of Lingnan University and City University of Hong Kong and a Member of School Board Advisory Committee of Victoria Shanghai Academy. He is an Honorary Fellow of Vocational Training Council, an Honoree of the Beta Gamma Sigma Chapter of City University of Hong Kong and a member of The Management Subcommittee of the Boys' and Girls' Clubs Association of Hong Kong. He was a lecturer at University of Pittsburgh's MBA program in the United States. Mr. Ip is also a Co-opted Member of the Finance Committee of the Urban Renewal Authority.

Mr. Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science at Washington University in St. Louis (summa cum laude), a Master of Science degree in Applied Mathematics at Cornell University and a Master of Science in Accounting and Finance at Carnegie-Mellon University.

MR. SHEK LAI HIM, ABRAHAM,

aged 67, was appointed an Independent Non-executive Director, members of Audit Committee and Disclosures Committee of the REIT Manager

in 2006. Mr. Shek is a member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency since 2000. He is also a Director of The Hong Kong Mortgage Corporation Limited and a Vice Chairman of Independent Police Complaints Council. Mr. Shek is the Chairman and an Independent Non-executive Director of Chuang's China Investments Limited, the Vice Chairman and an Independent Non-executive Director of ITC Properties Group Limited and also an Independent Non-executive Director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited), China Resources Cement Holdings Limited and Lai Fung Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an Independent Non-executive Director of Regal Portfolio Management Limited (manager of the publicly listed Regal REIT) and Jetstar Hong Kong Airways Limited.

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

MANAGEMENT

SENIOR MANAGEMENT

The REIT Manager, Eagle Asset Management (CP) Limited, is charged with the responsibility of managing the assets of Champion REIT for the benefit of Unitholders. It is responsible for ensuring compliance with the applicable provisions of the REIT Code, the Securities and Futures Ordinance and other relevant legislation.

As part of its duties, it will set the strategic direction and risk management policies of Champion REIT, appoint and supervise service providers, and initiate the acquisition, divestment or enhancement of assets.

Communication with investors and other stakeholders is another role of the REIT Manager.

Profiles of Executive Officers



Mr. Lee Ching Ming, Adrian

Chief Executive Officer

Mr. Lee Ching Ming, Adrian
Chief Executive Officer

Mr. Lee, aged 61, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. Additionally, he is responsible for

the day-to-day operations. Mr. Lee is a Responsible Officer as defined under the Securities and Futures Ordinance.

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



Mr. Patrick Choo

Chief Investment Officer

Mr. Patrick Choo
Chief Investment Officer

Mr. Choo, aged 47, is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. He is also responsible for the capital structuring of Champion REIT, including the planning and overseeing of capital raising activities from the market. Mr. Choo has over 20 years of asset management experience in Hong Kong and Singapore as a licensed fund manager and is well acquainted with the operational and regulatory environment involving multi-investor trust structures registered in Hong Kong. In previous jobs, he has led investment teams at various well established asset management companies, managing private assets, public authorized unit trusts and Mandatory Provident Fund master trust funds.

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



Mr. Kwong Chi Kwong
Chief Operating Officer

Mr. Kwong, aged 53, is responsible for formulating the business plans of Champion REIT's properties and supervising the property management team with a view to maximizing rental income via active asset management. Mr. Kwong has more than 25 years of experience in the industry and has held a variety of management and supervisory roles in areas of leasing and sales of properties, formulation and implementation of market plans, market research, site acquisitions, feasibility studies, liaison with government authorities and external professionals and administration.

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



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

Ms. Sung, aged 38, is primarily responsible for the financial reporting and general office administration of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. With more than 15 years of accounting and audit experience, Ms. Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

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



Mr. Law, David
Compliance Manager

Mr. Law, aged 44, is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Prior to joining the REIT Manager, Mr. Law worked in various legal firms, an estate

developer and an international insurance company, performing paralegal services and compliance duties.

Mr. Law holds a Bachelor of Laws from the University of London and a High Diploma in Legal Executive Studies from the Hong Kong Polytechnic University.



Mr. Yuen Chi Hang, Tony
Internal Auditor

Mr. Yuen, aged 38, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures internal control systems function properly and provides regular reports to the audit committee of the board of directors. Prior to joining the REIT Manager, Mr. Yuen worked as an internal auditor at a well-recognized listed property company and has almost 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

Mr. Yuen holds a Bachelor of Commerce degree in Professional Accounting from Macquarie University. He is also a member of CPA Australia.

MANAGEMENT

MANAGEMENT PHILOSOPHY

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



Asset Management Strategy

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



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



Acquisition Strategy

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

- **YIELD ACCRETION**
Properties to be acquired should have strong existing or potentially higher rental income.
- **POTENTIAL FOR NET ASSET GROWTH**
Macro economic factors and the potential for future changes in asset value will be assessed.
- **TENANT CHARACTERISTICS**
Rent and occupancy trends will be assessed with emphasis on good tenant retention/default rates.
- **LOCATION AND ACCESSIBILITY**
Properties with convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.
- **VALUE-ADDING OPPORTUNITIES**
through renovation, other enhancements and proactive property management will also be assessed.
- **BUILDING SPECIFICATIONS**
should be best of class. Other aspects such as building condition, compliance with regulations will also be examined.



A COMFORTABLE RIDE OVER BUMPY ROADS

STEADY INCOME BY PAIRING CENTRAL WITH MONGKOK, THROUGH
DIVERSIFYING OFFICE WITH RETAIL



MANAGEMENT

FINANCIAL REVIEW



Distributions

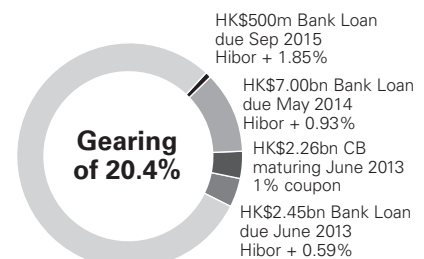
DISTRIBUTION AMOUNT

Total Distribution Amount of Champion REIT for the Year was HK\$1,186,217,000 (2011: HK\$1,110,520,000). Such Distribution Amount was calculated based on 90% (2011: 90%) of Champion REIT's total available distributable income for each of the first and second halves of the Year. Because of the compulsory inclusion of retained distributions from the first half of the Year into the Distributable Income of the second half (as required under the Trust Deed), the effective payout ratio for the full year was 94.6% (2011: 94.4%). While an additional amount of HK\$6,050,000 was distributed at the discretion of REIT Manager in 2011, there were no discretionary distributions this year.

DISTRIBUTION PER UNIT

The Distribution per Unit for the six months ended 31 December 2012 was HK\$0.1074. Such Distribution per Unit, however, is subject to adjustment upon the issuance of new Units between 1 January 2013 and the record date. Further announcement will be made to inform Unitholders of the final Distribution per Unit for the six months ended 31 December 2012.

HK\$12.2 BILLION OF DEBT



Gearing of 20.4%

Gross Assets Net of Borrowings HK\$47.7bn

With an interim Distribution per Unit of HK\$0.1018 and a final Distribution per Unit of HK\$0.1074, the total Distribution per Unit for the Year amounted to HK\$0.2092 (2011: HK\$0.2236). The Distribution per Unit of HK\$0.2092 represents a distribution yield of 5.64% based on the closing price of HK\$3.71 as at 31 December 2012.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Friday, 26 April 2013 to Thursday, 2 May 2013 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The payment of the 2012 Final Distribution will be made on 21 May 2013 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2012 Final Distribution and be entitled to attend and vote at the 2013 Annual General Meeting to be held on 2 May 2013, 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, no later than 4:30 p.m. on Thursday, 25 April 2013.

Debt Profile

Total outstanding borrowings of the Trust amounted to HK\$12,218.6 million as at 31 December 2012, a decrease of HK\$1,840.4 million compared to twelve months ago. The borrowings comprise bank borrowings of HK\$9,954 million and convertible bonds of HK\$2,264.6 million in principal amount. The reduction in borrowings was due to the net effect of (a) the conversion of HK\$2,340.4 million aggregate principal amount of the convertible bonds issued in year 2008 (the "2008 Bonds") pursuant to an exchange offer; and (b) the drawdown of a new bilateral loan of HK\$500 million.

On 13 August 2012, Fair Vantage Limited, the issuer of the 2008 Bonds (the "Issuer") invited bondholders of the 2008 Bonds to convert their bonds in exchange for an incentive payment of HK\$2,215 for each HK\$10,000 in principal amount of the 2008 Bonds so converted. By end of the invitation period, the Issuer

received valid applications in respect of HK\$2,340.4 million aggregate principal amount of the bonds. Accordingly, the Trust paid approximately HK\$518.4 million and issued approximately 680.3 million new Units to the converting bondholders on 24 August 2012. Immediately after the exchange offer, the outstanding principal amount of the 2008 Bonds was reduced to HK\$2,264.6 million and these will be due for redemption at a price of 123.94% in June 2013. As at 31 December 2012, the 2008 Bonds were convertible at a conversion price of HK\$3.44.

On 18 September 2012, a new bilateral term loan of HK\$500 million (the "2012 Term Loan") was arranged. The 2012 Term Loan bears interest at a floating rate of HIBOR plus 1.85% per annum and will be due in September 2015.

As at 31 December 2012, all bank loans of the Trust, representing 81.5% of the Trust's total debt, were on floating bases. The REIT Manager will monitor interest rate movements and may, depending on market conditions, consider putting in place interest rate swaps in respect of the loan facilities in place.

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

	31 December 2012	
	HK\$ million	% of total
Due in year 2013	4,718.6	38.6
Due in year 2014	7,000.0	57.3
Due in year 2015	500.0	4.1
Total	12,218.6	100.0

MANAGEMENT

FINANCIAL REVIEW

On 6 December 2012, Champion MTN Limited (the "MTN Issuer"), a wholly-owned subsidiary of the Trust, successfully established a US\$1,000,000,000 guaranteed medium term note programme (the "Programme"). On 17 January 2013, the MTN Issuer issued an aggregate principal amount of US\$400,000,000 notes (the "Issue Notes") to be due on 17 January 2023 under the Programme. The Issue Notes was issued at 99.185% of the aggregate nominal amount and bear interest at 3.75% per annum, payable semi-annually in arrears. Based on the issue price and the interest payable on the Issue Notes, the yield to maturity of the Issue Notes is 3.849%. The net proceeds from the Issue Notes were US\$394,940,000 and shall be used for the refinancing of the indebtedness of the Trust and/or other general corporate purpose of the Trust.

The valuation of the Trust's investment properties at 31 December 2012 was appraised at HK\$58,297 million, representing a 6.3% appreciation from HK\$54,857.3 million achieved at 31 December 2011. Together with the reduction in total borrowings of

HK\$1,840.4 million in the Year, the Gearing Ratio, or total borrowings as a percentage of gross assets was 20.4% compared to 25.0% a year ago. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 26.1%.

Net Assets Attributable To Unitholders

Driven by an increase in the fair value of investment properties and the conversion of the 2008 Bonds in August 2012, net assets attributable to Unitholders was HK\$44,252.2 million as at 31 December 2012, an increase of 14.2% compared to HK\$38,755.6 million as at 31 December 2011. However, due to the dilutive effect of units converted from bonds, the Net Asset Value per Unit decreased slightly to HK\$7.80, as compared to HK\$7.82 a year ago. The Net Asset Value per Unit of HK\$7.80 represented a 110.2% premium to the closing unit price of HK\$3.71 as at 31 December 2012.

Cash Position

As at 31 December 2012, the Trust had total undrawn bank loan facilities of HK\$500 million

(31 December 2011: HK\$500 million) and a cash balance of HK\$1,397.1 million (31 December 2011: HK\$1,292.8 million). Taking into consideration the financial resources available to the Trust, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

Pledge Assets

As at 31 December 2012, properties of the Trust with a fair value of HK\$53,771 million (31 December 2011: HK\$49,072.3 million) 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 Trust. The value of unpledged property assets is HK\$4,526 million.

Commitments

Except for the capital commitment of approximately HK\$56.3 million in respect of the addition of investment properties contracted for but not provided in the consolidated financial statements, the Trust did not have any other significant commitments as at 31 December 2012.

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

Real estate agents and contractors	Nature of service	Value of contract HK\$	Relevant cost %
The Great Eagle Properties Management Company, Limited	Building management	191,487,000	56.2
Eagle Property Management (CP) Limited	Leasing and marketing	72,901,000	21.4
Longworth Management Limited	Building management	30,621,000	9.0
CBRE HK Limited	Leasing	6,261,000	1.8
Jones Lang LaSalle Limited	Leasing	4,658,000	1.4
Total		305,928,000	89.8

CORPORATE SOCIAL RESPONSIBILITY

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



Health and Safety

Champion REIT's properties contain many of the environmental and safety features expected of modern premium grade properties, including computerized automatic fire detection alarm systems and emergency power to common areas and essential facilities when there is a power failure event. Regular fire drills are also conducted. A safe working environment and in particular air quality is a very important factor for office tenants and high standards for indoor air quality and circulation are maintained.

The management systems of both Citibank Plaza and Langham Place are certified under OHSAS (Occupational Health and Safety Advisory Services) 18001 to ensure proper and up-to-date health and safety procedures. Our properties are also classified as 'Excellent' under the Environmental Protection Department controlled IAQ Certification Scheme for Offices and Public Places. They were also recipients of the Quality Water Recognition Award issued by the Water Supplies Department.

The relaxation and cardiovascular needs of the tenants are an integral part of the Champion REIT success formula. Citibank Plaza is home to a health club featuring a health spa, gymnasium and a heated swimming pool among other exercise facilities, is available. The health facility is sizable, occupying almost four floors of one tower. Langham Place contains a 70,000 square feet fitness and well-being centre, purportedly housing the world's largest Yoga studio, as well as many smaller spas.

Environmental Protection

Energy efficiency is an important means of reducing pollution and conserving the world's limited resources. Pursuing energy efficiency also has the parallel benefit of reducing operating costs, even while global warming is ameliorated. An energy saving feature

MANAGEMENT CORPORATE SOCIAL RESPONSIBILITY



inherent to both of Champion REIT's properties is the use of large multi-story glass curtain walls to provide atrium and lobby areas with natural lighting. At Langham Place, this feature is particularly noticeable and anyone can look through the 9 storey mall atrium and see the neighbourhood buildings on the other side. Reflective coatings along the primary glass walls provide additional energy savings by reflecting heat while allowing light to enter the interior. Both of our properties also boast a comprehensive ventilation and air conditioning system complete with floor-by-floor climate sensors. To minimize redundant cooling, air-conditioning can be controlled in incremental areas and turned off for unused areas. One novel energy-saving feature at Langham Place is the optimization of lift

loading for the office tower, where passengers choose which floor they are going to before entering the lift. The computerized system then directs to the same lift all passengers headed for the same floor. To support the introduction of electric vehicles to Hong Kong, Electric Vehicle Recharging Stations have been added to both our car parks.

The environmental management systems of both Citibank Plaza and Langham Place are certified under ISO 14001. This drives progressive environmental protection policies and there is an ongoing initiative to reduce the energy footprint of Champion REIT's properties. Citibank Plaza is in the process of upgrading its lighting fixtures to accommodate high efficiency T5 fluorescent tubes. T5 tubes have a higher lumens-per-watt efficiency and lower mercury content than its

predecessor. In 2012 the energy consumption at our properties increased by 1.6% to 58.9 million kWh, mainly because of the higher average occupancy at Citibank Plaza. Energy usage at Langham Place alone fell 1.9%. Water consumption also increased at Citibank Plaza, but the combined water usage of our properties fell 0.8% to 339,760 cubic meters. Going forward, there should be greater savings in electricity as new energy efficient chiller plants at Citibank Plaza are installed over the next two years. Both Citibank Plaza and Langham Place received a Green Management Award issued by Green Council under the Hong Kong Green Award 2012 and both properties participated in Earth Hour 2012 organized by the World Wildlife Fund.

Recycling programs are in place to administer and facilitate the collection of waste paper and



other office or retail waste for recycling. The Environmental Protection Department of the Hong Kong Government has issued certificates to Citibank Plaza and Langham Place certifying the effectiveness of their programs on Source Separation of Commercial and Industrial Waste. 238,000 kg of waste paper products from our two properties were collected and sent for recycling in 2012. We also collected 1,004 kg of fluorescence tubes, 846 kg of plastic bottles as well as smaller quantities of aluminum cans and batteries for recycling through the year.

To reduce paper usage, Champion REIT amended its trust deed this year to delete the requirement to deliver physical copies of its financial reports to each unitholder. From now onwards, unitholders will be able to choose

if they wish to be mailed a copy of the Trust's Interim Report and Annual Report each year. PDF versions of the Trust's financial reports have been available at www.championreit.com since the Trust was listed.

Social Responsibility

Free exhibition space for cultural or educational activities is a typical way our properties use to execute their social responsibility. In 2012 charity events organized by the Intellectually Disabled Education and Advocacy League, the Shining Stars Foundation, St. James Settlement and the Stroke Fund were held at our properties. In addition, Citibank Plaza was a sponsor for public classical music performances for university students. A Blood donation drive was held at Langham Place.

Being a retail property, the Langham Place Mall has a greater flexibility to raise funds for charitable concerns. The most successful of these is the ongoing Spiral Stars Gallery project, where HK\$175,000 of donations were accumulated for the Make-A-Wish Foundation in 2012 through donation boxes built into the 12 zodiac sculptures of the gallery. Over HK\$1,000,000 in donations have been collected through the gallery since it was launched. Two charity sales were also held, one selling Braille Christmas Cards and the other limited edition thermal bottles and blankets. Langham Place Mall also continued its participation in the IDEAL charity moon cake sale in 2012. This year, Langham Place was again selected as a Caring Company by the Hong Kong Council of Social Service.



A SIMPLE BUT
ELEGANT
STRUCTURE

OUR PORTFOLIO IS EASILY UNDERSTOOD
AND MODELED, OUR TRANSPARENT CAPITAL
STRUCTURE IS EASILY ANALYZED

PORTFOLIO

PROPERTY AT-A-GLANCE

Citibank Plaza

is one of the largest Grade-A commercial complexes in Hong Kong's Central district with a gross floor area of almost 1,600,000 sq. ft. It consists of two office towers, which are intelligent buildings that are capable of meeting the demanding technical specifications of global financial institutions, and a retail podium

The Langham Place Office Tower

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

Langham Place Mall

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

LANGHAM PLACE



CITIBANK PLAZA

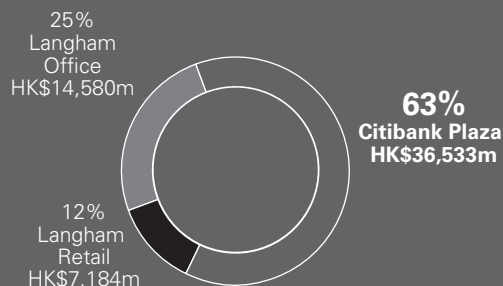


Value of Champion REIT's properties by usage

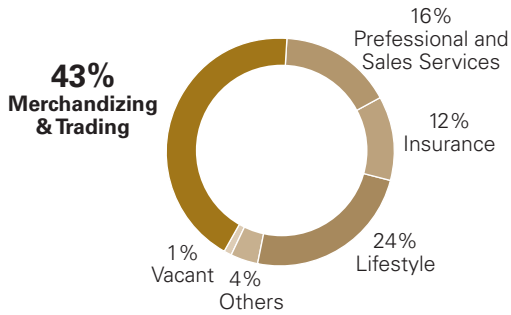
	Citibank Plaza	Langham Place	Sub-total
Dec 2012 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	35,484	7,184	42,668
Retail	431	14,138	14,569
Car Park	318	275	593
Miscellaneous	300	167	467
Total	36,533	21,764	58,297

For additional details, please refer to the valuation report section

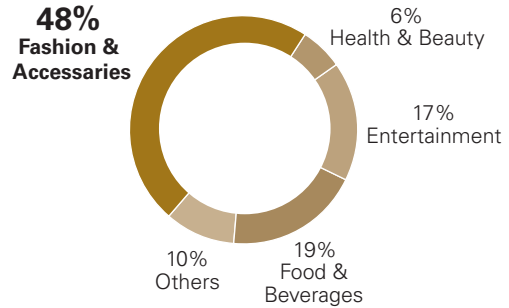
Dec 2012 Valuation: HK\$58.3bn



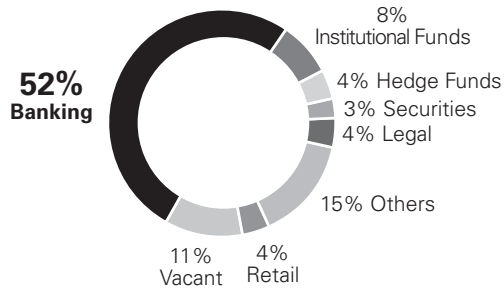
LANGHAM PLACE
OFFICE TENANT PROFILE



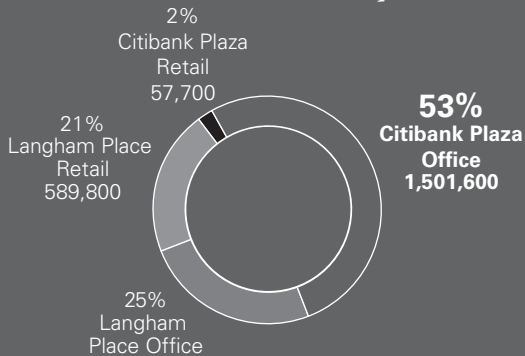
LANGHAM PLACE
RETAIL TENANT PROFILE



CITIBANK PLAZA TENANT PROFILE



Gross Floor Area 2.85 mil sq. ft.



Some Major Tenants of
Champion REIT

- Bank of America
- Merrill Lynch
- Citibank N.A.
- Hennis and Mauritz
- HSBC
- Industrial and Commercial Bank of China
- Neo Derm
- Pure Yoga
- Sears
- Seibu
- UA Cinemas

PORTFOLIO

CITIBANK PLAZA

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

Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions, the building's primary target tenants.

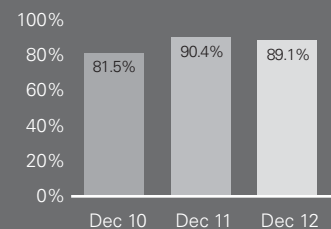
Prime Asset

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

Architectural Excellence

With a gross floor area of almost 1.6 million sq. ft., Citibank Plaza is one of the biggest office complexes in Hong Kong, capable of serving a working population of over 10,000. The premium office complex is considered by many to be one of the Central District's iconic structures. Besides its two characteristic curved reflective facades, the complex contains many distinct architectural features, such as the flexibility to join 26 floors of both towers to provide an enlarged floor plate of up to 34,000 sq. ft. In recognition of excellence in the area of architectural design, Citibank Plaza was awarded the Hong Kong Institute of Architects' highest award when it was built.

Occupancy At Citibank Plaza







Premium Grade 'A' Specifications

Citibank Plaza is the archetypal modern premium grade 'A' office complex, replete with fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate cabling and flexibility in office configurations, a central computerized control center and a master satellite signal distribution system. Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multinational financial institutions, the building's primary target tenants. These include security lift facilities for treasury items, high redundant power supply to floor space ratios, timely emergency power supply

and more importantly emergency chilled water facilities to data centres during power outages. It also operates an intelligent heat detection system which can prevent the unintentional activation of sprinklers.

Asset Enhancement

Some phases of Citibank Plaza's asset enhancement program have already been completed. Since the property was injected into the Trust, the upper ground floor and lower ground floor lobbies have been retrofitted with a security card access system, electronic directories and a new information counter. The lower ground lobby was refurbished into a trendy lounge area with food and

beverages outlets conveniently located at its perimeter. To cater to the growing need for ever higher requirements for emergency power and back-up chilled water supply for server rooms and trading areas, Citibank Plaza's emergency power capacity and back-up chilled water capacity have also been upgraded.

Looking forward, the asset enhancement program at Citibank Plaza will continue so as to better position Citibank Plaza to compete for top tier banking and financial tenants. In 2013, the basement car park will be renovated. In addition, new carpet flooring for common areas is being installed and chiller plants and VAV (variable air volume) ventilation units will be replaced in phases.



Enhancement at Citibank Plaza is not limited to physical assets as software also plays an important role in determining the attractiveness of an office address. In this respect, the REIT Manager has recently taken steps to improve the tenant experience at Citibank Plaza through significant upgrades in the quality of facility management and level of customer service. The management team at Citibank Plaza was give recognition for "outstanding commercial property management" at the HK Island Best Security Services Awards 2012 organized by the HK Police Force. Our recently introduced Friday classical musical series has been well received by tenants.

BUILDING STATISTICS

- HK\$36.5 billion Assessed Value*
- Built in 1992
- 205m Tall, Highest Floor is 50
- 558 Vehicle Basement Garage
- 74 Tenants*
- 42,593 sq. ft. Lettable Retail Area
- 34,000 sq. ft. Gross Floorplate
- 1,559,278 sq. ft. Total Floor Area*
- 1,170,289 sq. ft. Lettable Office Area*

** only Champion REIT's portion*

FEATURES & AMENITIES

- 9 Emergency Generators (12,400kVA)
- 36 passenger lifts in 9 zones
- Security Card Access
- Private Driveway
- Private Taxi Stand
- Electric Vehicle Charging Stations
- Internal Loading Dock
- 10-Storey Lobby Atrium
- HKIAQ Certification
- Heated Swimming Pool
- OHSAS 18001 Certification
- ISO 14001 Certification
- 30,000 sq. ft. Health Club

CITIBANK PLAZA: LEASING AND PROPERTY MANAGEMENT TEAM

As General Manager, Ms. Lam is responsible for formulating and implementing Citibank Plaza's business and leasing strategies. She has been involved in leasing and marketing activities of Citibank Plaza since 1999 and entered the property industry in 1994.

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



●
Ms. Lam Yuk Lin, Violin
General Manager, Leasing

Ms. Wong has over 20 years' experience in hospitality and property management industry overseas and in Hong Kong. Prior to joining the Company, she held senior management positions of a boutique hotel group and a property management company under a listed property development group in Hong Kong. She has experience in managing residential & Grade A commercial properties, shopping malls, boutique hotels, and serviced apartments. Ms Wong has also experience in renovation projects, pre-management, sales & leasing, event management and quality management.

Ms. Wong holds a Master of Art degree in Business Administration from the University of Hull, U.K. and a Master of Science degree in hospitality management from the Sheffield Hallam University, U.K.



●
Ms. Yolanda Wong
General Manager, Building Management

Mr. Ho has over 15 years' experience in real estate and property management industry. He has worked for several of the major Hong Kong developers in the past, in roles related to the management of various residential properties, shopping malls and Grade A commercial complexes. Mr. Ho has also experience in renovation projects, pre-management, crowd control and the management of large-scale promotion events.

Mr. Ho holds a Bachelor of Arts degree in Housing Studies from the City University of Hong Kong and a Bachelor of Business Administration in Finance from the Hong Kong Baptist University. He is certified under the Housing Managers Registration Board and a member of the HK Institute of Housing, the HK Institute of Real Estate Administrators and the Greater China Institute of Property Management.



●
Mr. Marco Ho
Chief Estate Manager



Mr. Mok has over 10 years' experience in real estate and property management industry. He has worked for various well established property developers in Hong Kong and has been involved in management of various shopping malls and Grade A commercial buildings.

Mr. Mok holds a Bachelor degree in Estate Management from the University of Reading and a Master Degree in Housing Management from the University of Hong Kong. He is a member of the Hong Kong Institute of Housing and a member of International Facility Management Association, Hong Kong Chapter.

Mr. Alan Mok
Senior Manager, Estate



Ms. Choy is responsible for the leasing and marketing of Citibank Plaza and has 10 years of working experience in the real estate industry. She has worked in well-established property companies in the United Kingdom and Hong Kong, also in the areas of leasing and marketing.

Ms. Choy holds a Bachelor of Science degree in Surveying from the University of Hong Kong and an MBA from the University of Bath, UK. She is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors.

Ms. Choy Mei Sze, Carrie
Senior Manager, Leasing

Ms Lam has over 10 years of experience in the service industry. Prior to joining the Property Management team at Citibank Plaza, she held a number of key leadership positions in international 5-star hotels and luxury retailers in Hong Kong, responsible for events planning and services, customer relationship management and loyalty program.

Ms Lam holds a Postgraduate Diploma in Strategic Management and Leadership from the Edexcel Institution, UK.



Ms. Christine Lam
Senior Manager, Tenancy Service



Mr. Kwok has over 25 years' experience in repair and maintenance. He has worked for several major Hong Kong engineering companies in the past, in roles related to the management of various residential properties, shopping malls and Grade A commercial complexes. Mr. Kwok has also experience in renovation projects, system upgrade and major retrofits.

Mr. Kwok holds a bachelor degree in engineering from the University of Hong Kong. He is a Corporate member of the HK Institution of Engineers and a Registered Professional Engineer.

Mr. Y H Kwok
Head of Technical Services

PORTFOLIO

LANGHAM PLACE

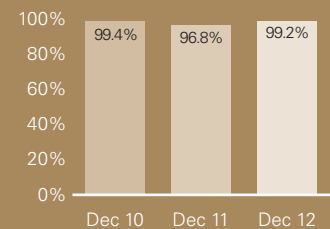
The Langham Place Office Tower is a modern 59 storey Grade 'A' building that is the preferred corporate address in Mongkok.

Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion trends.

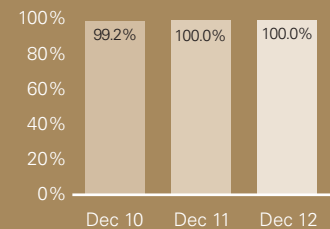
Premium Asset, Prime Location

Langham Place is an integrated commercial development which comprises a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark and a 42-storey 5-star hotel. The project occupies two entire city blocks defined by Argyle Street, Portland Street, Shantung Street and Reclamation Street and is the largest urban renewal project in Hong Kong with a Total Floor Area of almost 2 million sq. ft. Completed in 2004, Langham Place immediately became a defining landmark of Mongkok, a prime retail and commercial district of Kowloon and an important hub for Hong Kong's major public transportation networks. Langham Place is directly linked via a pedestrian tunnel to the Mongkok Interchange of the Mass Transit Railway. The portion of Langham Place that Champion REIT owns is the entire Langham Place Office Tower, Langham Place Mall and carpark and all but 4 floors of the Langham Place Office Tower. In percentage terms, this is equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place.

Occupancy at Langham Place Office Tower



Occupancy at Langham Place Mall





Fashion Mall Redefining Mongkok

The Langham Place Mall has several unique modern architectural and design features. From the surrounding shopping district, its distinctive multi-faceted façade of Fissured Brazilian Granite is immediately recognizable. Among its internal features are a Grand Atrium enclosed by 9-storey tall glass curtains showcasing the surrounding street-level activity, the world’s longest indoor escalators and a ‘Digital Sky’ projected onto the mall’s ceiling. In upper section of the Mall, there is unique Spiral Stars Gallery featuring 12 large horoscope sculptures created by Hideki Kawabata, a renowned aluminium sculptor and illustrator. For its innovative design, the Langham Place Mall has received several awards from parties such as the International Council of Shopping Centers and the Institution of Structural Engineers Awards.

Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion trends. Each day, 200,000 to 300,000 shoppers visit the mall to look for the latest in hip and trendy apparel, accessories and cosmetics. The mall also houses over 30 food and beverage outlets, a games arcade and a cineplex to compliment the shopping experience. Because of its immense popularity among teens and young adults, Langham Place Mall has been the venue of choice for fan and media events by local and foreign celebrities alike. The mall is also well known for its wide selection of cosmetics and has become increasingly popular with mainland tourists in recent times.

Mongkok’s Preferred Office Address

The Langham Place Office Tower is a modern 59 storey Grade ‘A’ building that is the preferred corporate address in Mongkok. It is covered in distinctive reflective blue glass and topped off with a large colour-changing dome visible from as far as Hong Kong island at night. As the building is conveniently located in a decentralized office district it attracts tenants from merchandizing and wholesale sectors. The office tower is also home to many semi-retail and service-oriented enterprises because of its location within a busy shopping district and its synergistic connection to the Langham Place Mall.

At 255 meters, it was the tallest office building on the Kowloon Peninsula when it was launched in 2004 and offers an unobstructed panoramic view of the surrounding area. Tenants are provided with the latest in Grade ‘A’ specifications, including fiber optic wiring, raised flooring, emergency power supply and master satellite signal distribution. Being a relatively new building, there is central computerized control of the climate, fire alarm, lift and lighting systems.





BUILDING STATISTICS

- HK\$21.8 billion Assessed Value*
- Built in 2004
- 255m Tall, Highest Floor is 60
- 255 Vehicle Basement Garage
- 46 Office Tenants*
- 319,068 sq. ft. Lettable Retail Area
- 17,400 sq. ft. Gross Office Floorplate
- 1,292,755 sq. ft. Total Floor Area*
- 702,911 sq. ft. Lettable Office Area*
- 195 Retail Tenants

* only Champion REIT's portion

FEATURES & AMENITIES

- 15 Storey Shopping Mall
- Adjoining 5-star Hotel
- 1,200 Seat Cineplex
- 34 F&B Outlets
- Direct MTR Access
- 9-Storey Glass Atrium
- World's Longest Indoor Escalators
- Panoramic View of Kowloon
- Electric Vehicle Charging Stations
- Internal Loading Dock
- HKIAQ Certification
- OHSAS 18001 Certification
- ISO 14001 Certification
- 70,000 sq. ft. Fitness Centre
- World's Largest Yoga Studio

LANGHAM PLACE: LEASING AND PROPERTY MANAGEMENT TEAM

Ms. Leung is the team leader for the leasing, promotion, marketing and public relation activities of Langham Place. Ms Leung has over 20 years of experience in the advertising and marketing industry. Prior to joining the Property Manager, she worked for various advertising agencies and held senior marketing and business development positions with a number of publishing and marketing companies.

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



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



Mr. Chiu is responsible for the overall property management of Langham Place. He has more than 20 years of experience in managing quality retail and commercial properties. Prior to joining the Langham Place team in 2004, he worked for various leading listed property companies in Hong Kong.

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

Mr. Chiu Chi Kin, David
General Manager, Building Management

Ms. Chan is responsible for the leasing and tenancy management of Langham Place and has over 15 years of experience in the property leasing field. Prior to her present job, she worked for various property developers in Hong Kong.

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



Ms. Chan Fung Kam, Jean
Assistant General Manager, Leasing



Ms. Au-Yeung is responsible for marketing, promotion and public relations activities of Langham Place. She has over 20 years of experience working for various marketing and public relations firms and had held the position of editorial consultant for a number of well established publishing houses.

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

Ms. Au-Yeung Hon Yuk, Makey
Assistant General Manager, Marketing

Mr. Chan is responsible for property management of the shopping mall, office tower and car park at Langham Place. Prior to joining the management team of Langham Place in 2006, he worked for several Hong Kong's leading listed property companies and has over 20 years of experience in the property management industry.

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



Mr. Chan Chor Kiu, Desmond
Chief Estate Manager



Mr. Chu is responsible for overseeing the technical management of Langham Place. With over 15 years of practical work experience in the engineering industry since 1995, Mr. Chu has worked for several of Hong Kong's leading listed property companies invested in both commercial and residential buildings during his career.

Mr. Chu holds a Master of Science degree in Building Services Engineering from the University of Hong Kong and a Bachelor of Engineering (Honors) degree in Building Services Engineering from the City University of Hong Kong. He is a Registered Professional Engineer in the building services discipline with the Hong Kong Engineers Registration Board and is a Chartered Engineer of the U.K. Engineering Council.

Mr. Chu Chik Kei, Timothy
Manager, Technical



VALUATION REPORT



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

Savills Valuation and Professional
Services Limited

23/F Two Exchange Square
Central, Hong Kong

HSBC Institutional Trust Services (Asia) Limited
17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road, Kowloon
Hong Kong
(the Trustee for Champion REIT)

EA LICENCE: C-023750
T: (852) 2801 6100
F: (852) 2530 0756
savills.com

31 January 2013

Dear Sirs

RE: Various Portions in Citibank Plaza, 3 Garden Road, Central, Hong Kong ("Property")

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2012 (referred to as the "Valuation Date") for accounting purposes.

Basis of Valuation

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

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

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

Valuation Methodologies

We have valued the Property on the basis of capitalization of the net income shown on schedules handed to us and also by reference to sales evidence available in the market.

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular, we have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach to be the most appropriate valuation method for assessing the market value of the Property with regard to the income-driven nature of the Property. We have assumed that no significant capital expenditure by the owners of the Property will be required in the foreseeable future.

Income capitalization

The Income Capitalization Approach is a method of valuation whereby the existing rental income of all lettable units of the Property are capitalized for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of the Property.

The market rentals of all lettable units are made (a) by reference to the rentals fetched in the Property and (b) by reference to the lettings of similar properties in the neighbourhood. The capitalization rate adopted is made by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factor and the like. Our adopted capitalization rates for the retail and office accommodations are 4.25% and 3.30% respectively.

Direct comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a check for the valuation arrived at from using the Income Capitalization Approach. In this regard, comparable sales transactions of retail properties in Central District are collected and analyzed each in terms of a price per square footage. Moreover, comparable sales transactions of both en-bloc and strata-title Grade A office premises in Central District around the Valuation Date are collected and analyzed each in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the Property and comparables in terms of time, location, age, building quality and the like.

Title Investigations

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

Valuation Consideration

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

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

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

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Trustee, the Manager or other party/parties who Champion REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

In accordance with our standard practice, we must state that this valuation certificate is for the use only of the parties to whom it is addressed and no responsibility is accepted to any other party for the whole or any part of its contents.

We enclose herewith our valuation certificate and market overview.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 28 years experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property

Various Portions in Citibank Plaza, 3 Garden Road, Central, Hong Kong (See Note 1)

1,389,185/1,650,000th undivided parts or shares of and in Inland Lot No. 8888.

Description and tenure

Citibank Plaza is an office / commercial / carparking development situated in Central district. It comprises one 47-storey office block, known as Citibank Tower, and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.

The Property comprises the whole of the retail accommodation and the majority of the offices of the development. The total floor area and the gross rentable area of the retail and office portions of the Property are as follows:-

Use	Total Floor Area	
	sq.m.	sq.ft.
Retail	5,362.41	57,721
Office	139,498.05	1,501,557
Total	144,860.46	1,559,278

Use	Gross Rentable Area	
	sq.m.	sq.ft.
Retail	3,956.99	42,593
Office	108,722.50	1,170,289
Total	112,679.49	1,212,882

The Property also includes 58 private car parking spaces and a fee paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.

Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No. 12063 at an annual rent equivalent to 3% of the rateable value for the time being of the lot.

Particulars of occupancy

Except Shop 5 with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower, the retail portion of the Property is let under six tenancies for various terms with the last expiry date in April 2015, yielding a total monthly rental income of approximately HK\$1.28 million exclusive of rates, management and air-conditioning charges. All these tenancies are subject to turnover rent. The average monthly turnover rent receivable from November 2011 to October 2012 is approximately HK\$70,000.

The office portion (including Shop 5) of the Property is let under various tenancies for various terms with the last expiry date in April 2017, yielding a total monthly rental income of approximately HK\$92.6 million exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.

The current occupancy rates of the retail and office portions are approximately 100% and 88.7% respectively.

A total of 500 carparks and 50 motorcycle parking spaces are being operated as a fee-paying public carpark and the remaining 58 carparks are occupied as private carparks and let under various licences. The total average monthly income from December 2011 to November 2012 is approximately HK\$1,023,000 inclusive of rates, management and utility charges.

Various spaces for cellular phone systems are let under three licences for various terms with the last expiry date in July 2015, yielding a total monthly licence fee of approximately HK\$68,000 exclusive of rates, management and utility charges.

A satellite phone antenna, various advertising spaces and the naming rights of Citibank Tower and ICBC Tower are licensed under various licences for terms with the last expiry date in June 2016, yielding a total monthly licence fee of approximately HK\$1,307,000 exclusive of rates, management and utility charges.

Market value in existing state as at 31 December 2012

HK\$36,533,000,000

Estimated Net Property Yield

3.2%

Notes:

(1) The Property comprises the following portions:-

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

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

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

- (3) The portion of the Property held by Shine Hill Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HK\$16,117,000,000 dated 26 April 2006.
- (4) The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HK\$860,000,000 dated 26 April 2006.
- (5) The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HK\$885,000,000 dated 26 April 2006.
- (6) The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HK\$363,000,000 dated 26 April 2006.
- (7) The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HK\$3,841,000,000 dated 26 April 2006.
- (8) The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HK\$604,000,000 dated 26 April 2006.
- (9) The portions of the Property held by Shine Hill Development Limited and CP (Portion A) Limited are subject to a legal charge and debenture in favour of Hang Seng Bank Limited.
- (10) The portions of the Property held by Maple Court Limited are subject to a legal charge and debenture in favour of Oversea-Chinese Banking Corporation Limited.
- (11) The Property lies within an area zoned "Commercial" under Central District Outline Zoning Plan.
- (12) The rentals reported herein are the total of the face rentals without taking into account any rent free periods or the turnover rents received, if any.
- (13) The notional breakdown of our valuation in respect of different uses is set out below:-

Use	Market Value as at 31 December 2012
Retail	HK\$431,000,000
Office	HK\$35,484,000,000
Carpark	HK\$318,000,000
Miscellaneous	HK\$300,000,000
Total:	HK\$36,533,000,000

- (14) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (including Shop 5 but excluding the licensed miscellaneous areas) as at 31 December 2012 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	1,038,894	88.7
Vacant	131,777	11.3
Total	1,170,671	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	105,436	10.2	7,854,982	8.5	2	2.2
2005	2,325	0.2	173,213	0.2	1	1.1
2006	0	0.0	0	0.0	0	0.0
2007	2,572	0.2	191,614	0.2	1	1.1
2008	7,753	0.7	961,372	1.0	1	1.1
2009	0	0.0	0	0.0	0	0.0
2010	357,927	34.5	26,822,505	29.0	25	27.5
2011	439,425	42.3	44,872,130	48.5	26	28.6
2012	123,456	11.9	11,689,104	12.6	35	38.4
Total	1,038,894	100	92,564,920	100	91	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2012	6,891	0.7	654,645	0.7	1	1.1
2013	108,022	10.4	9,098,841	9.8	25	27.5
2014	479,445	46.1	46,204,965	49.9	33	36.2
2015	110,221	10.6	11,034,633	11.9	22	24.2
2016	249,884	24.1	17,716,366	19.2	6	6.6
2017	84,431	8.1	7,855,470	8.5	4	4.4
Total	1,038,894	100	92,564,920	100	91	100

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	12,273	1.2	1,235,320	1.3	3	3.3
2	35,374	3.4	3,706,139	4.0	15	16.5
3	505,743	48.7	48,898,084	52.8	56	61.5
4	38,653	3.7	4,444,110	4.8	3	3.3
6	339,090	32.6	26,253,072	28.4	11	12.1
9	2,325	0.2	173,213	0.2	1	1.1
10	105,436	10.2	7,854,982	8.5	2	2.2
Total	1,038,894	100	92,564,920	100	91	100

Note: The above tenancy profile includes a shop with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower but excludes 3 tenancy renewals for terms of 2 to 3 years commencing in the period between January 2013 to February 2013 and 2 committed new lettings both for a term of 3 years commencing in January and March 2013 respectively.

- (15) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding Shop 5 and the licensed miscellaneous areas) as at 31 December 2012 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	42,211	100.0
Vacant	0	0.0
Total	42,211	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2010	40,729	96.5	1,096,600	85.4	5	83.3
2011	0	0.0	0	0.0	0	0.0
2012	1,482	3.5	186,732	14.6	1	16.7
Total	42,211	100	1,283,332	100	6	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2013	40,729	96.5	1,096,600	85.4	5	83.3
2014	0	0.0	0	0.0	0	0.0
2015	1,482	3.5	186,732	14.6	1	16.7
Total	42,211	100	1,283,332	100	6	100

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
3	42,211	100.0	1,283,332	100.0	6	100.0
Total	42,211	100	1,283,332	100	6	100

Note: The above tenancy profile excludes a shop with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower. It also excludes 2 tenancy renewals both for a term of 3 years commencing in April 2013.

Office Market Overview

Services-sector office demand

Hong Kong's office market has grown rapidly since the early 1980s reflecting the emergence of a more services-oriented economy. As manufacturing processes have been relocated to the Pearl River Delta with the opening-up of the Chinese economy, Hong Kong-based companies have focused more on the provision of services in the fields of finance, logistics and management.

Being located in a time zone between Asia and Europe has also helped Hong Kong to become a global financial centre. These characteristics have given rise to demand for high-quality office space to accommodate an increasingly sophisticated services-driven economy.

Office stock

Proximity to mainland China has benefited Hong Kong greatly with its ability to tap into the vast resources and population on its doorstep. According to the Rating and Valuation Department, Hong Kong's total office stock grew 3.4 times between 1980 and 2011.

At the end of 2011, Grade A office space (73 million sq ft) accounted for approximately 63% of all office stock, while the remaining 37% was accounted for by Grades B and C space.

Central is the central business district (CBD) of Hong Kong, and is also the centre of government. Central represents approximately 29% of total office stock of all grades and 27% of the total stock of Grade A offices. Central, together with the other traditional business districts of Wanchai/Causeway Bay and Tsim Sha Tsui, represented more than 51% of total Grade A office stock at the end of 2011.

Rental trends

A strong rebound was experienced by the Hong Kong economy after the successful containment of SARS in 2003 and this growth was reflected in the Hong Kong office market when Grade A office rents reversed their downward trend and rose consistently from Q4/2003. A booming financial-services sector has, in turn, stimulated demand from professional services firms, while the trading and manufacturing economy has also recorded robust growth over the period.

According to the Rating and Valuation Department, the average Grade A office rent rose by around 145% from the end of September 2003 to the end of September 2008 and a dramatic growth of around 329% was noted in Central.

With the outbreak of the global financial crisis in Q3/2008, many in the finance industry experienced layoffs and downsizing, reducing demand for prime office space and pulling overall rents down by 21% in June 2009, while rents in Central fell by 37% in the same period. Rents quickly turned around from Q3/2009 on the back of quantitative easing and the subsequent rebound in the global economy, with new leasing demand from overseas funds and finance-related companies from the mainland. Grade A office rents went up by 35% and office rents in Central grew by 71% until September 2011.

With the intensifying European debt crisis, slowing economic conditions and a weakening IPO pipeline in the second half of 2011, mainland companies were more hesitant to pay aggressive rents for prime Central spaces. Coupled with investment banks and fund houses either downsizing or at least halting expansion plans, Grade A office rents in Central fell by 5% from Q4/2011 to Q3/2012. Rents elsewhere showed more resilience as this latest crisis is more financial-industry related, and aided by the robust retail sector looking for office space outside Central, and low vacancy levels, office rents in the overall market rose by 6% over the same period.

Price trends

A dramatic turnaround was witnessed in the Grade A office sales market in 2003, with prices dropping over the first half of the year and rebounding over the second half, resulting in an aggregate whole-year increase, the first year to record a year-on-year increase in Grade A office values since 1996.

Positive investment sentiment continued in 2004 when prices nearly doubled on the back of the strong economic recovery and rising rents. Although some signs of a slowdown were observed in 2H/2005, when the prime lending rate increased from 5.75% to 7.75%, the overall growth momentum remained strong in 2005. Further price increments were recorded in 2006 and the first eight months of 2007, with investment sentiment heating-up again as interest rates trended downwards (the prime lending rate decreased to 7.5%). From the trough in May 2003 to the peak at the end of May 2008, overall Grade A office prices increased by 287%¹ and Grade A office prices in Central grew by 423% before the global financial crisis.

Tightened liquidity caused by the credit crunch and a negative economic outlook instigated the pessimistic investment sentiment in 2008 and 2009, and overall and Central Grade A office prices fell by 36% and 39% from May 2008 to March 2009 respectively. Loosened monetary policy and quantitative easing improved market liquidity, and the once-again active stock market and revitalised leasing market induced good investment sentiment. Overall Grade A and Central office prices rose by 62% and 179% respectively from June 2009 to September 2011. However, the spreading and deteriorating debt crisis in the eurozone, and the downgrading of US credit ratings caused fluctuations in the global equity market and dampened expectations of economic growth in the second half of 2011. This caused some short-term fluctuations in office prices over the period.

Nevertheless, the gradual relaxation of macro economic controls in China, as well as the announcement of QE3 in mid-2012, injected renewed optimism into the property investment market, and overall Grade A office prices grew by 8% from Q4/2011 to Q3/2012, while Central, with its grim leasing market outlook and already high price levels, recorded a more moderate 2% increase over the same period.

Supply²

The Asian financial crisis in 1997 and a general lack of sites in core office locations acted to constrain development activity in the latter part of the 1990s and the supply of offices had fallen to low levels by 2000. The average supply of Grade A office space between 2001 and 2010 stood at 1.8 million sq ft per annum, significantly below the 1991 to 2000 average of 3.1 million sq ft per annum. Forecast supply of Grade A offices between 2013 and 2016 is expected to reach approximately 4.6 million sq ft, or 1.2 million sq ft per annum, below the ten-year average supply of 1.9 million sq ft recorded between 2002 and 2011 and below the ten-year average take-up of 1.9 million sq ft per annum over the same period.

New supply is expected to remain at low levels over the next few years, particularly for Grade A offices in the core areas of Central, Wanchai/Causeway Bay, Tsim Sha Tsui and the emerging Kowloon Station area. Grade A office supply in core areas between 2013 and 2016 is expected to reach approximately 0.16 million sq ft, or 40,000 sq ft per annum, which is below the ten-year average take-up of 0.6 million sq ft per annum recorded between 2002 and 2011.

¹ Source: Rating and Valuation Department

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

Land for office development in Central is scarce, and the recently completed LHT Tower (the redevelopment of Lok Hoi Tong Building) and 50 CRC (the redevelopment of Crocodile House I and II) are relatively small projects, providing only 133,700 sq ft net and 129,000 sq ft net respectively. Expected Grade A office supply from 2013 to 2016 stands at only 40,676 sq ft per annum. The redevelopment of The Forum by Hongkong Land will only provide another 49,438 sq ft net upon completion in 2014 and is already pre-leased to Standard Chartered Bank, while the redevelopment of 10-12 Queen's Road Central (113,267 sq ft), to be completed in 2015, will be entirely owner occupied.

It is noteworthy that most of the new supply (around 96% from 2013 to 2016 or 4.4 million sq ft) will come on-stream outside the core business districts, with the largest supply to be released in the Kowloon East area, which will total 2.6 million sq ft over the next four years.

Given the tight availability, tenants in core locations are expected to look at options such as splitting operations, decentralising or downgrading in order to accommodate their changing business needs. Nevertheless, the substantial supply coming on-stream in Kowloon East and Kowloon West may provide more choices for tenants currently located in core areas outside Central, especially Tsim Sha Tsui and Island East, given their proximity.

Vacancy

Location-sensitive financial-services tenants are generally reluctant to leave the CBD, and many have continued to expand in Central, but these tenants are now faced with a far more limited choice of suitable accommodation.

During the global financial crisis, the vacancy rate in Central was recorded at a high of 7.5% in October 2009. Office stock was then absorbed by robust demand from mainland and international finance-related companies, helping to pull the vacancy rate down to 2.2% up to May 2011. With higher rental office costs in Central, tenants accelerated relocation plans and moved operating departments to non-core areas. This led to the office vacancy rate in Central rising to 5.3% in September 2012, while vacancy in the Central Grade AAA office sector also increased to an historical high of around 6% in the same month. Nevertheless, the revitalised stock and IPO markets have induced some rehiring in the financial sector during the last quarter of 2012, and vacancy rates of both overall Central and Grade AAA Central offices declined to 4.4% and 2.1% in December 2012 respectively³.

Outlook

Although the structural shift of the domestic economy from manufacturing to services is now largely completed, manufacturers in Hong Kong will continue to take advantage of the low operating costs in the Pearl River Delta region and leverage Hong Kong's advanced business-services skills, its infrastructure and experience in international trade to expand their businesses.

Meanwhile, the finance sector, and related business services, is expected to benefit from the growing strength of the economy and the rapid development of mainland China. Increasing demand for higher-end services such as personal banking, trade finance, fund raising, and offshore renminbi business is expected from the region.

The continuous expansion of luxury retail brands in the city means they are still actively pursuing office spaces for their expanded operations, and although many of them may settle in non-core areas due to availability and cost issues, we deem this as another positive drive for the office sector over the next few years.

Looking ahead to 2013 we believe that a stronger economic outlook, a more active listings environment, limited supply and low interest rates will provide continued support to both Grade A office rents and prices.

³ Source: Savills estimates



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

Savills Valuation and Professional
Services Limited

23/F Two Exchange Square
Central, Hong Kong

HSBC Institutional Trust Services (Asia) Limited
17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road, Kowloon
Hong Kong
(the Trustee for Champion REIT)

EA LICENCE: C-023750
T: (852) 2801 6100
F: (852) 2530 0756
savills.com

31 January 2013

Dear Sirs

RE: (1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos. 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street, (2) Retail Block, Langham Place, 8 Argyle Street, (3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon ("the Property")

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2012 (referred to as the "Valuation Date") for accounting purposes.

Basis of Valuation

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

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

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

Valuation Methodologies

We have valued the Property on the basis of capitalization of the net income shown on schedules handed to us and also by reference to sales evidence available in the market.

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular, we have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach to be the most appropriate valuation method for assessing the market value of the Property with regard to the income-driven nature of the Property. We have assumed that no significant capital expenditure by the owners of the Property will be required in the foreseeable future.

Income capitalization

The Income Capitalization Approach is a method of valuation whereby the existing rental income of all lettable units of the Property are capitalized for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of the Property.

The market rentals of all lettable units are made (a) by reference to the rentals fetched in the Property and (b) by reference to the lettings of similar properties in the neighbourhood. The capitalization rate adopted is made by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factor and the like. Our adopted capitalization rate for both the retail and office accommodations is 4.00%.

Direct comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a check for the valuation arrived at from using the Income Capitalization Approach. In this regard, comparable sales transactions of both en-bloc and strata-title Grade A office premises in business districts of the Kowloon Peninsula around the Valuation Date are collected and analyzed each in terms of a price per square footage. Moreover, comparable sales transactions of retail properties in Mong Kok District are collected and analyzed each in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the Property and comparables in terms of time, location, age, building quality and the like.

Title Investigations

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

Valuation Consideration

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

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

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

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Trustee, the Manager or other party/parties who Champion REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

In accordance with our standard practice, we must state that this valuation certificate is for the use only of the parties to whom it is addressed and no responsibility is accepted to any other party for the whole or any part of its contents.

We enclose herewith our valuation certificate and market overview.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 28 years experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property

(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos. 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street, (2) Retail Block, Langham Place, 8 Argyle Street, (3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon

1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No. 11099.

Description and tenure

Langham Place is a retail / office / hotel / carpark complex erected on two rectangular sites, separated by Shanghai Street, having a registered total site area of 11,976 sq. m. (128,910 sq. ft.). The development was completed in 2004.

Currently standing on the eastern site is a 59-level tower (Comprising 46 levels of office, four levels of shop, five mechanical floors, two refuge floors and two roof floors) and a 15-storey retail building (including two basement levels) erected over three levels of basement carpark.

Currently standing on the western site is a hotel built over two levels of basement carpark. In addition, government, institution and community facilities as well as public open space are provided on the site.

Two covered footbridges and an underground vehicle tunnel across Shanghai Street are constructed to inter-connect the development between the two separate sites.

The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos. 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq. m. (702,911 sq. ft.).

The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq.m. (589,844 sq. ft.) and a Gross Rentable Area of approximately 29,642.14 sq. m. (319,068 sq. ft.).

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

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

Particulars of occupancy

The office portion of the Property is let under various tenancies mostly for terms of three years with the last expiry date in October 2017 yielding a total monthly rental of approximately HK\$21.16 million exclusive of rates and management fees. A number of tenancies contain options to renew for further terms at the then prevailing market rents.

The retail portion of the Property is let under various tenancies mostly for terms of two or three years with the last expiry date in October 2017 at a total monthly basic rent of approximately HK\$37.34 million exclusive of rates and management fees. Most of the tenancies are subject to turnover rent. The average monthly turnover rent receivable from December 2011 to November 2012 is about HK\$7.2 million.

The current occupancy rates of the office and retail portions are approximately 99.2% and 100.0% respectively.

The carpark is operated as a fee-paying public carpark let on monthly and hourly bases. The average total monthly income from December 2011 to November 2012 is approximately HK\$1,635,000.

Miscellaneous incomes are generated from lightboxes, signage spaces and other miscellaneous items at an average monthly total licence fee of approximately HK\$1,113,000 from January 2012 to December 2012.

Market value in existing state as at 31 December 2012

HK\$21,764,000,000

Estimated Net Property Yield

3.8%

Notes:

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

Use	Market Value as at 31 December 2012
Retail	HK\$14,138,000,000
Office	HK\$7,184,000,000
Carpark	HK\$275,000,000
Miscellaneous	HK\$167,000,000
Total:	HK\$21,764,000,000

- (7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (excluding the licensed miscellaneous areas) as at 31 December 2012 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	697,637	99.2
Vacant	5,274	0.8
Total	702,911	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2008	33,159	4.8	1,206,496	5.7	3	4.6
2009	0	0.0	0	0.0	0	0.0
2010	352,611	50.5	10,503,011	49.6	25	38.5
2011	200,254	28.7	5,602,995	26.5	21	32.3
2012	111,613	16.0	3,847,173	18.2	16	24.6
Total	697,637	100	21,159,675	100	65	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2013	356,500	51.1	11,021,023	52.1	30	46.2
2014	202,905	29.1	5,671,637	26.8	21	32.3
2015	58,746	8.4	2,178,570	10.3	10	15.4
2016	76,735	11.0	2,197,662	10.4	3	4.6
2017	2,751	0.4	90,783	0.4	1	1.5
Total	697,637	100	21,159,675	100	65	100

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	44,137	6.3	1,386,929	6.6	2	3.1
2	19,297	2.8	678,239	3.2	5	7.7
3	521,558	74.8	15,599,566	73.7	51	78.5
5	35,910	5.1	1,297,279	6.1	4	6.1
6	76,735	11.0	2,197,662	10.4	3	4.6
Total	697,637	100	21,159,675	100	65	100

Note: The above tenancy profile excludes 7 tenancy renewals for terms of 1 to 3 years commencing in the period between February 2013 to March 2014.

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding the licensed miscellaneous areas) as at 31 December 2012 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	319,014	100.0
Vacant	54	0.0
Total	319,068	100

Lease Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	44,740	14.0	720,000	1.9	1	0.5
2007	13,976	4.4	785,937	2.1	3	1.5
2008	2,351	0.7	206,888	0.6	1	0.5
2009	8,583	2.7	713,417	1.9	2	1.0
2010	117,057	36.7	15,674,269	42.0	67	32.8
2011	47,989	15.1	5,832,152	15.6	57	27.9
2012	84,318	26.4	13,404,665	35.9	73	35.8
Total	319,014	100	37,337,328	100	204	100

Lease Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
2012	136	0.0	26,650	0.1	1	0.5
2013	105,921	33.2	14,409,828	38.6	92	45.1
2014	112,470	35.3	8,742,020	23.4	60	29.4
2015	68,874	21.6	8,700,817	23.3	45	22.1
2016	16,482	5.2	2,053,538	5.5	5	2.4
2017	15,131	4.7	3,404,475	9.1	1	0.5
Total	319,014	100	37,337,328	100	204	100

Lease Duration Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
1	1,125	0.4	203,094	0.5	4	2.0
2	27,052	8.5	2,935,645	7.9	51	25.0
3	138,756	43.5	22,033,897	59.0	126	61.7
4	48,324	15.1	4,891,687	13.1	12	5.9
5	45,041	14.1	5,767,068	15.5	7	3.4
6	13,976	4.4	785,937	2.1	3	1.5
10	44,740	14.0	720,000	1.9	1	0.5
Total	319,014	100	37,337,328	100	204	100

Note: The above tenancy profile excludes 15 tenancy renewals mostly for terms of 2 or 3 years commencing in the period between January 2013 to October 2013 and 4 committed new lettings for terms of 2 or 3 years commencing in the period between January 2013 and August 2013.

Office Market Overview

Services-sector office demand

Hong Kong's office market has grown rapidly since the early 1980s reflecting the emergence of a more services-oriented economy. As manufacturing processes have been relocated to the Pearl River Delta with the opening-up of the Chinese economy, Hong Kong-based companies have focused more on the provision of services in the fields of finance, logistics and management.

Being located in a time zone between Asia and Europe has also helped Hong Kong to become a global financial centre. These characteristics have given rise to demand for high-quality office space to accommodate an increasingly sophisticated services-driven economy.

Office stock¹

Proximity to mainland China has benefited Hong Kong greatly with its ability to tap into the vast resources and population on its doorstep. According to the Rating and Valuation Department, Hong Kong's total office stock grew 3.4 times between 1980 and 2011.

At the end of 2011, Grade A office space (73 million sq ft) accounted for approximately 63% of all office stock, while the remaining 37% was accounted for by Grades B and C space.

Yau Ma Tei/Mong Kok is a decentralised business district in fringe Kowloon and is a popular office location for trading, consumer goods and insurance companies. Yau Ma Tei/Mong Kok represented approximately 8% of total office stock of all grades (9 million sq ft) and 5% of the total stock of Grade A offices (3.6 million sq ft) in 2011. Yau Ma Tei/Mong Kok, together with the other decentralised office areas of Island East, Kowloon East and Kowloon West², represented around 38% of total Grade A office stock at the end of 2011.

Rental trends

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

According to data from the Rating and Valuation Department, the average Grade A office rent rose by around 145% from the end of September 2003 to the end of September 2008, with a rise of around 122% noted in Yau Ma Tei/Mong Kok. During the global financial crisis period in Q3/2008 to Q2/2009, many in the trading industry experienced layoffs and downsizing, reducing demand for office space and pulling rents down by 21% in June 2009, while rents in Yau Ma Tei/Mong Kok fell by 23% in the same period. Rents quickly turned around in Q3/2009 on the back of internal demand stimulation due to the mainland's fiscal policies and the subsequent rebound in the global trading market. Grade A office rents went up by 35% and rents in Yau Ma Tei/Mong Kok grew by 71% until September 2011.

With the intensifying European debt crisis, slowing economic conditions and weakening external export demands in the eurozone and US in the second half of 2011, trading companies were facing another downturn in external trading. Nevertheless, the strong local retail demand has more than picked up the slack, with retailers actively looking for expansion space. As a result, Grade A office rents rose by 6% from Q4/2011 to Q3/2012 and rents in Yau Ma Tei/Mong Kok rose by 7% over the same period.

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

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

Price trends

The property market downturn during the global financial crisis hit the sales market far more severely than the leasing market, as speculators, who entered the market in 2007, sold their holdings throughout 2008 in the face of dampened market sentiment and tightened credit availability. After rising by more than 287% from the trough in May 2003 to the peak in May 2008, Grade A office prices fell by 36% from the peak of May 2008 to the trough of March 2009³.

Loosened monetary policy and quantitative easing improved market liquidity, and the once-again active stock market and revitalised leasing market induced good investment sentiment. With improving external demand due to a quick recovery of the global economy, Grade A office prices rose by 62% from Q2/2009 to September 2011. However, the spreading and deteriorating debt crisis in the eurozone and the downgrading of US credit ratings caused fluctuations in the global equity market and dampened expectations of economic growth in the second half of 2011. This caused some short-term fluctuations in office prices over the period.

Nevertheless, the gradual relaxation of macro economic controls in China, as well as the announcement of QE3 in mid-2012, injected renewed optimism into the property investment market, and overall Grade A office prices grew by 8% from Q4/2011 to Q3/2012.

Supply⁴

The Asian financial crisis in 1997, combined with a general lack of sites in core office locations, acted to constrain development activity in the latter part of the 1990s, and the supply of offices had fallen to low levels by 2000. The average supply of Grade A office space between 2001 and 2010 stood at 1.8 million sq ft per annum, significantly below the 1991 to 2000 average of 3.1 million sq ft per annum.

New supply of Grade A offices remained at a low level in 2011 with 1.4 million sq ft of new premises completed, the majority located in Kowloon East (742,000 sq ft or 55% of total supply) and the Southside (544,000 sq ft or 40% of total supply). Near-term Grade A office supply almost halved to 0.8 million sq ft in 2012, the majority of which is located in core areas (0.5 million sq ft or 59% of total supply). Grade A office supply thereafter is expected to revert to low levels, particularly in the core areas of Central, Wanchai/Causeway Bay, Tsim Sha Tsui and the emerging Kowloon Station area. Grade A office supply in core areas between 2013 and 2016 is expected to reach approximately 0.16 million sq ft, or 40,000 sq ft per annum, which is below the ten-year average take-up of 0.6 million sq ft per annum recorded between 2002 and 2011.

It is noteworthy that most of the new supply (around 96% from 2013 to 2016 or 4.4 million sq ft) will come on-stream outside the core business districts, with the largest supply to be released in the Kowloon East area, which will total 2.6 million sq ft over the next four years.

Given the tight availability, tenants in core locations are expected to look at options such as splitting operations, decentralising or downgrading in order to accommodate their changing business needs. Nevertheless, the substantial supply coming on-stream in Kowloon East and Kowloon West may provide more choices for tenants currently located in core areas outside Central, especially Tsim Sha Tsui and Island East, given their proximity.

³ Source: Rating and Valuation Department

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

Vacancy

The layoffs and belt-tightening measures which took place during the financial crisis have not yet resulted in a large number of surrender cases in the office market. Office vacancy in Kowloon West was at 11.9% in December 2008 as new supply gradually entered the market, Kowloon East vacancy was at 28.5%, while vacancy in Mong Kok stood at 4.6% in the same period⁵.

With the quick economic recovery starting in Q2/2009, tenants have been accelerating decentralisation plans, shifting operation departments from core districts to Kowloon East, Kowloon West and Mong Kok, which significantly helps to pull down vacancy rates in the decentralised areas. Vacancy rates recorded low levels of 1.6% in Kowloon West, 1.6% in Kowloon East and 1.9% in Mong Kok in December 2012.

Outlook

Demand for office space from the trading sector is expected to remain low as the eurozone debt crisis continues to trouble the consumer market there, with many multinationals holding-up expansion plans.

The continuous expansion of luxury retail brands in the city means they are still actively pursuing office spaces for their expanded operations, and although many of them may settle in non-core areas due to availability and cost issues, we deem this as a positive drive for the office sector over the next few years.

Therefore, with future office supply remaining tight, the retail sector still actively looking for both retail and office space in non-core areas, and no new supply at all expected to come on-stream in the Mong Kok area, both rents and values should be well supported.

Retail Market Overview

Retail stock

The total stock of private commercial premises⁶ in Hong Kong increased by 139% between 1980 and 2011, to total 116 million sq ft at the end of 2011⁷. Forty-one percent of private commercial stock is located in Kowloon while Hong Kong Island and the New Territories accounted for around 30% and 29% of the remaining commercial stock respectively, in 2011.

As the total stock of private commercial premises has increased over time, per capita stock⁸ has also risen along with increasing income levels. Per capita stock stood at 16.4 sq ft per person at the end of 2011, representing an increase of 6.5 sq ft per person since 1981.

Being a popular tourist spot as well as a retail and entertainment centre for locals, Yau Tsim Mong plays host to a number of high-profile shopping malls, including Harbour City, New World Centre, Grand Century Place and Langham Place. Total private commercial stock in the area amounted to 22.3 million sq ft at the end of 2011, representing 47% of total stock in Kowloon.

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

⁵ Source: Savills estimates

⁶ Defined by the Rating and Valuation Department, private commercial premises include retail premises and other premises designed or adopted for commercial use, with the exception of purpose-built offices. Car parking spaces are excluded.

⁷ According to the Rating and Valuation Department, from 2006 onwards private commercial stock figures include properties owned by The Link REIT, which had a total IFA of 10.3 million sq ft in 2006.

⁸ Total year-end private commercial stock divided by total year-end population.

Rental trends

The strong rebound in the local economy, as well as the implementation of the Individual Visit Scheme, induced a solid recovery in the retail market, with private retail rents increasing by around 40% from June 2003 to July 2008. During the financial crisis between Q3/2008 to Q2/2009, the global economic downturn hit local consumer confidence, with escalating unemployment rates and declining incomes. Retail sales, particularly in tourist areas, were adversely affected; private retail rents declined by 9% from the peak of Q3/2008 to April 2009, reflecting the short-term nature of the subdued retail sentiment. However, the robust tourist market and improving local consumer sentiment continued to support the growth of retail sales and rents. In addition, international brands have been establishing their flagship stores in tourist areas. Private retail rents recovered and rose by 45% up to October 2012, according to provisional figures from the Rating and Valuation Department.

Price trends

The influx of mainland visitors changed the landscape of the retail market from 2003 onwards and retail prices increased much faster than retail rents, reflecting the optimistic outlook of investors given the implications of this new demand driver for the business growth of retailers. Nevertheless, the dampening of investment sentiment from the middle of 2008, together with the shrinking credit availability, put pressure on less affluent landlords to sell off their holdings at discounted prices. Private retail prices, after rising by more than 145% from a trough in Q2/2003 to July 2008, declined by 17% up to April 2009⁹.

With the availability of liquidity, a shortage of new supply and a positive investment sentiment in the retail sector, the retail investment market was very active from 2010 to 2012, aided by the QE3 by the US Federal Reserves in mid 2012, with private retail prices rising by 189% from 2009 to October 2012.

Supply¹⁰

Between 1980 and 2011, private commercial supply averaged approximately 2.0 million sq ft per annum. However, supply levels were significantly lower in the 2000s compared with the previous two decades. In 2006, shopping centre supply reached a recent peak when some 2.0 million sq ft was completed, including some larger scale malls such as Elements located in Tsim Sha Tsui and MegaBox located in Kowloon Bay.

Only 583,107 sq ft of major shopping centre supply is expected per year between 2012 and 2015, with the highest proportion of new centres located in the New Territories, representing 41% of total future supply.

All of the new shopping centres forecasted for completion by 2013 and 2014 are small in scale, with GFAs of less than 110,000 sq ft. This is in comparison with some larger shopping centres, such as Hysan Place (400,000 sq ft) in Causeway Bay and V City (269,000 sq ft) in Tuen Mun which were completed in 2012.

In 2015, there will be one major retail development completed in Kowloon – Kowloon Development's Ngau Chi Wan project – providing 686,426 sq ft of retail space. Notably, most of the large-scale shopping centre supply in the New Territories comprises the retail podiums of large residential estates.

⁹ Source: Rating and Valuation Department

¹⁰ All areas are in sq ft net unless otherwise stated.

Take-up and vacancy

Take-up averaged approximately 1.4 million sq ft per annum between 1980 and 2011, while the vacancy rate averaged approximately 8.2% over the same period. Average take-up between 1980 and 1989, between 1990 and 1999, and between 2000 and 2009 stood at approximately 2.3 million sq ft, 1.3 million sq ft and 827,000 sq ft respectively. Besides the maturing nature of the market, the falling take-up is also attributable to falling supply levels. The average take-up between 2003 and 2011 was 930,000 sq ft per annum.

The negative take-up of retail space in 2008 is the result of demand contraction on the back of the global financial crisis, when a number of chain retailers closed in Hong Kong, including Tai Lam and U-Right, which both closed towards the end of that year. Vacancy rates increased to 8.7% in 2008 as a result. With strong tourism spending from mainlanders and international retailers occupying more retail space for flagship stores, the vacancy rate dropped to 8% in 2011.

Outlook

In light of the fierce competition among international brands for prime spaces in core areas or traditional shopping districts, such as Central, Causeway Bay, Tsim Sha Tsui and Mong Kok, some are expanding into non-core locations along the railway lines, especially those seeing increasing mainland footfall.

The strong retail sector performance is no longer confined to core retail areas but has spread to non-core retail areas and is well supported by both local consumption and visitor spending, which both look set to remain strong in the near future. The recent global economic uncertainties, as well as further tightening measures in China, have caused some moderation in retail sales growth over the first 11 months of 2012 (10% year-on-year growth), compared with 25% year-on-year growth over the same period in 2011, although retail rents and prices have not been adversely affected thus far. Any abrupt changes in both local and tourist spending should be closely monitored.

TRUSTEE'S REPORT

To The Unitholders of Champion Real Estate Investment Trust

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

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009, the fourth supplemental deed dated 23 July 2010 and the fifth supplemental deed dated 13 March 2012 for the financial year ended 31 December 2012.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 21 February 2013

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.

Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the REIT Manager and Champion REIT throughout the year ended 31 December 2012.

Authorisation Structure and Governance Structure

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the Securities and Futures Commission (“SFC”) under section 104 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (“SFO”) and regulated by the SFC pursuant to the provisions of the SFO and the Code on Real Estate Investment Trust (“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.

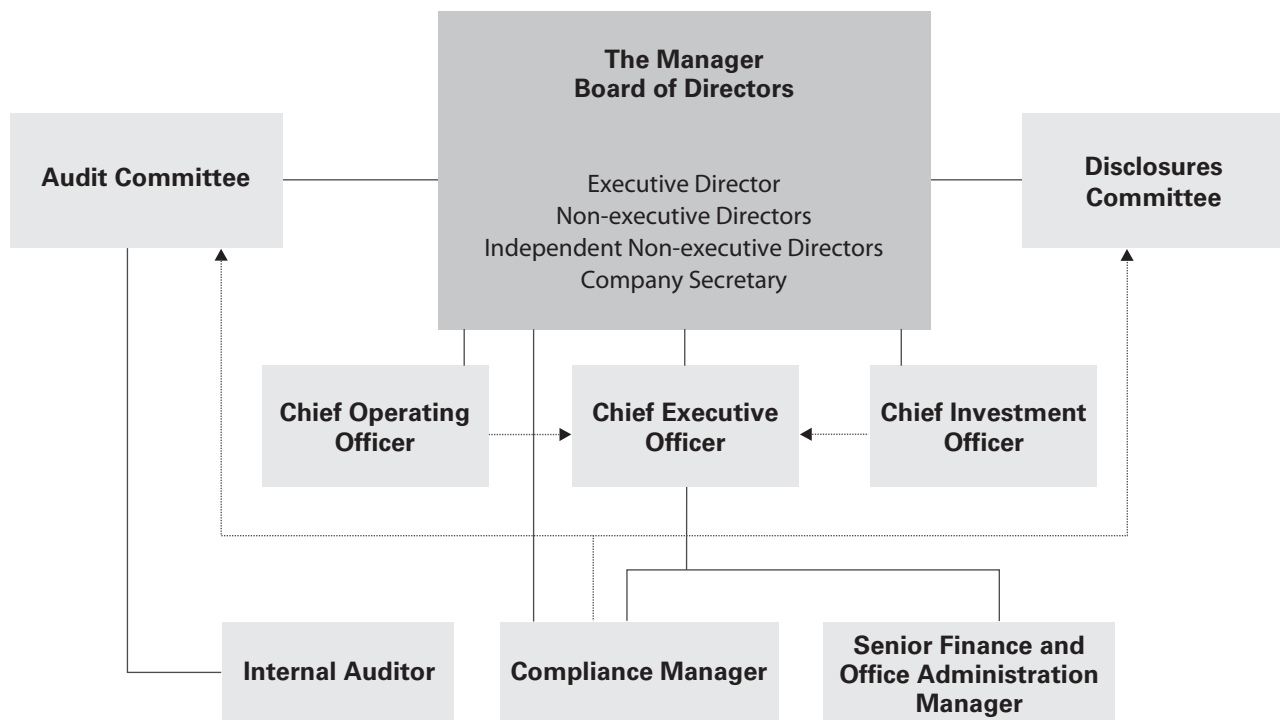
HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the laws of Hong Kong) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Roles of the Trustee and the REIT Manager

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, whereas the REIT Manager is responsible to manage Champion REIT 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 12 March 2012.

Organisation and Reporting Structure of the REIT Manager



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

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

Board Composition

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

Key Principles in Determination of the Composition of the Board

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

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

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 composition of the Board of the REIT Manager during the year is set out below:

Non-executive Directors

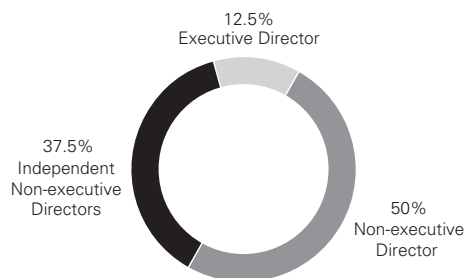
Lo Ka Shui (*Chairman*)
Cheng Wai Chee, Christopher
Ho Shut Kan
Lo Kai Shui

Executive Director

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

Independent Non-executive Directors

Cha Mou Sing, Payson
Ip Yuk Keung, Albert
Shek Lai Him, Abraham



All Directors shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election in accordance with the articles of association of the REIT Manager. The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Lo Ka Shui who is a Non-executive Director. The Chief Executive Officer is Mr. Lee Ching Ming, Adrian who is an Executive Director. The biographical details of all Directors are provided on pages 13 to 15 of the Annual Report.

Proceedings of the Board

- Full Board meetings will be held at least quarterly, and more often, if necessary.
- At least 14 days' formal notice of a regular Board meeting will be given by the Company Secretary to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board meeting. For special Board meeting, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting or Committee meeting.
- The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.
- If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- Draft minutes is circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting and all Board and Board Committee minutes or resolutions are available for Directors' inspection.

The Board Members may obtain independent professional advice for the purposes of discharging their duties and responsibilities. Such advice may be obtained at the REIT Manager's expense upon reasonable request. The Company Secretary of the REIT Manager is responsible to make all necessary arrangement.

The Company Secretary of the REIT Manager is G. E. Secretaries Limited, which comprises a team of company secretarial professionals providing full range company secretarial support to the REIT Manager. Senior management members of the REIT Manager maintain day-to-day contact with the Company Secretary to ensure the Company Secretary has knowledge of the affairs of the Trust. The Company Secretary reports to the Chairman of the Board and Chief Executive Officer. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Independence of Independent Non-executive Directors

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

Delegation

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

Audit Committee

The REIT Manager established an Audit Committee and adopted the terms of reference on 28 March 2006. The written terms of reference of the Audit Committee are available upon request. 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. During the year, one formal meeting between the Chairman of the Audit Committee and the Internal Auditor was held without the presence of the management of the REIT Manager.

Audit Committee's Principal Responsibilities

The principal duties of the Audit Committee are as follows:

- reviewing external audit reports to ensure that, where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the Listing Rules;
- reviewing all financial statements and all internal audit reports;
- monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Champion REIT and a "connected person" (as defined in the REIT Code); and
- making recommendations to the Board on persons for appointment and re-appointment as Directors to, and persons for removal as Directors from, the full Board.

The Audit Committee 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 Yuk Keung, Albert is the Chairman of the Audit Committee. The members of the Audit Committee are appointed by the Board of Directors from among the Non-executive Directors of the REIT Manager and a majority of the members of the Audit Committee are required to be Independent Non-executive Directors.

Pursuant to the waiver from strict compliance with the requirement under paragraph 9.13 of the REIT Code granted by the SFC, the Audit Committee of the REIT Manager confirmed that the roadshow and public relations-related expenses ("PR Expenses") were incurred in accordance with the internal control procedures of the REIT Manager and the nature of these PR Expenses was solely for the purposes as set out in Clause 2.4.13 of the Trust Deed.

Audit Committee Meetings held in 2012

During the financial year ended 31 December 2012, two physical meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed the Reports of the Internal Auditor;
- reviewed the audited financial statements for the year ended 31 December 2011 and the unaudited financial statements for the six months ended 30 June 2012;
- reviewed the Reports from the External Auditor;
- considered and recommended the Board on the re-appointment of External Auditor and approved the terms of engagement;
- reviewed the legal and regulatory compliance matters for the year ended 31 December 2011 and for the six months ended 30 June 2012, which include, among others, the Reports on Connected Party Transactions;
- reviewed and approved the 2012 Interim Report and 2012 Interim Results Announcement for the six-month period ended 30 June 2012 and 2011 Annual Report and Final Results Announcement for the year ended 31 December 2011;
- reviewed and approved the annual budget/forecasts and annual business plan prepared by the REIT Manager for Champion REIT; and
- considered the proposal to bondholders inviting them to convert their 1% guaranteed convertible bonds due 2013 up to the maximum invitation amount of HK\$2,750 million and the relevant compliance issues.

Disclosures Committee

The REIT Manager established a Disclosures Committee and adopted the terms of reference on 28 March 2006. The written terms of reference of the Disclosures Committee are available upon request. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements.

Disclosures Committee's Principal Responsibilities

The Disclosures Committee works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete. The Disclosures Committee's responsibilities also include:

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

The members of the Disclosures Committee are appointed by the Board of Directors from among the Directors. It comprises a Non-executive Director (namely, Dr. Lo Ka Shui), an independent Non-executive Director (namely, Mr. Shek Lai Him, Abraham) and an Executive Director (namely, Mr. Lee Ching Ming, Adrian). Mr. Lee is the Chairman of the Disclosures Committee.

Disclosures Committee Meetings held in 2012

During the financial year ended 31 December 2012, three physical meetings of the Disclosures Committee were held, one of which was held by means of written resolution. The following is a summary of the major work done of the Disclosures Committee during the year 2012:

- reviewed and approved the 2012 Interim Report of Champion REIT for the six-month period ended 30 June 2012 and announcements in relation to the 2012 interim results, the payment of Manager's fee in cash and units and the interim distribution;
- reviewed and approved the 2011 Annual Report and announcement in relation to the final results for the year ended 31 December 2011, the payment of Manager's fee and the final distribution;
- reviewed and approved the draft Circular to Unitholders in relation to the General Mandate to Repurchase Units of Champion REIT and the Notice convening the 2012 Annual General Meeting;
- reviewed documents in relation to the proposal to bondholders inviting them to convert their 1% guaranteed convertible bonds due 2013 up to the maximum invitation amount of HK\$2,750 million, approved the publication of the relevant announcements and documents; and
- reviewed and approved the draft announcements in relation to the adoption of electronic means to dispatch corporate communications of the Trust to Unitholders and the amendments to the Trust Deed of Champion REIT to enable the use of e-communication.

Meeting Attendance

The attendance of individual Directors and committee members in 2012 is set out in the table below:

Member	No. of meetings attended/ No. of meetings held		
	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting
No. of Meetings held in the year	4	2	2
Non-executive Directors			
Lo Ka Shui (<i>Chairman</i>)	4/4	2/2	2/2
Cheng Wai Chee, Christopher	3/4	–	–
Ho Shut Kan	4/4	–	–
Lo Kai Shui	2/4	–	–
Attendance Rate	81%	100%	100%
Executive Directors			
Lee Ching Ming, Adrian (<i>Chief Executive Officer</i>)	4/4	–	2/2
Attendance Rate	100%	–	100%
Independent Non-executive Directors			
Cha Mou Sing, Payson	4/4	–	–
Ip Yuk Keung, Albert	4/4	2/2	–
Shek Lai Him, Abraham	4/4	2/2	2/2
Attendance Rate	100%	100%	100%
Overall Attendance Rate	90%	100%	100%

Disclosure on Remuneration

According to the Trust Deed, the REIT Manager shall be entitled to a Manager's Fee of 12% of the net property income and be payable semi-annually in arrears after the publication of the semi-annual financial statements of the Trust provided that the net property income as shown in the published semi-annual financial statement is equal to or more than HK\$200 million.

Pursuant to the announcement of Champion REIT dated 14 January 2011 in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 60% of the Manager's Fee arising from the real estate owned by Champion REIT in the form of Units and the remaining 40% in cash. As the REIT Manager has not elected the payment method of Manager's Fee for the financial year 2012, the most recent valid election by the REIT Manager on 14 January 2011 shall apply for the financial year 2012 according to Clause 11.1.2 of the Trust Deed. The Manager's Fee for the year ended 31 December 2012 amounted to HK\$199,896,000, being 12% of the net property income of Champion REIT for such services rendered during the year.

On 30 November 2012, Champion REIT issued an announcement in relation to the notification from the REIT Manager to the Trustee informing that the REIT Manager has elected to receive 50% of the Manager's Fee for the financial year 2013 arising from the real estate currently owned by Champion REIT in the form of Units. The balance of 50% will be received in cash.

The payment of the Manager's Fee by way of Units is in accordance with the terms of the Trust Deed and does not require specific prior approval of the Unitholders pursuant to a waiver granted by the SFC.

The remuneration of Directors and staff of the Manager is paid by the REIT Manager, and not by Champion REIT. The REIT Manager adopts the remuneration policies and practices of its holding company, which has a remuneration committee that determines policy and structure for all remuneration of senior executives of the REIT Manager, which include the Chief Executive Officer of the Manager and members of its senior management team. None of the Directors has a service contract with the REIT Manager which is not determinable by the employer within one year without payment of compensation (other than statutory compensations). Since Champion REIT does not bear the remuneration of the REIT Manager's Board and staff, the REIT Manager does not consider it necessary to include the information about the remuneration of its Directors and its key executives in this report.

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.

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

The following table summarizes the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 31 December 2012:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	–	–	13
Leasing	4	12	–
Marketing and promotion	1	9	–
Property management	74	146	–
Contractors/technical staff	139	310	–
Total	218	477	13

Management of Business Risk

The Board of the REIT Manager will meet quarterly or more often if necessary and will review the financial performance of the REIT Manager and Champion REIT against a previously approved budget. The Board will also review any risks to assets of Champion REIT, examine liability management and will act upon any recommendations from the auditors of Champion REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. It will review management reports and feasibility studies on individual development projects prior to approving major transactions.

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team comprises the Chief Executive Officer, the Chief Investment Officer, the Chief Operating Officer, the Finance and Office Administration Manager, the Compliance Manager and the Internal Auditor. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing between the team members. In 2012, nineteen meetings were held by the management team.

Whistle Blowing

The REIT Manager has put in place procedures to ensure well defined and accessible channels to report on suspected fraud, corruption, dishonest practices, and for the independent investigation of any reports and appropriate follow up action. The aim of the whistle-blowing policy is to encourage the reporting of such matters in good faith, with the confidence that making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

Conflicts of Interest and Business Competition with Great Eagle Holdings Limited

The REIT Manager, the Property Manager, Longworth Management Limited (“Longworth”) and The Great Eagle Properties Management Company, Limited (“GEPM”) take up the role of Manager and Property Manager of Champion REIT, DMC Manager and DMC Sub-manager of Citibank Plaza, DMC Manager and CAF Manager of Langham Place, Sub-DMC Manager of Langham Place Office Tower and Estate Manager of the Langham Place Mall (as the case may be). Each of the above companies is a wholly-owned subsidiary of Great Eagle Holdings Limited (“Great Eagle”). Moreover, two members of the Board are directors of Great Eagle and/or its affiliated companies. There may be potential conflicts of interests between Great Eagle and Champion REIT in respect of the performance of estate management services in relation to Citibank Plaza and Langham Place or other properties.

Great Eagle, headquartered in Hong Kong, is engaged principally in the development, management and investment in the office, retail, residential and hotel properties in Hong Kong. It also invests in office properties in the United States, and invests in and manages hotels in North America, Europe, Australia, New Zealand and Mainland China. There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things, investment in, and the development and management of, properties in the office, retail, residential and hotel sectors in Hong Kong and elsewhere.

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

With respect to estate management services, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT. Further, given the extensive experience of Longworth and GEPM in the estate management of Citibank Plaza and Langham Place, the REIT Manager considers that it is in the interest of Champion REIT for the existing estate management arrangements to continue. Currently, Longworth and GEPM together have employed more than 200 full time staff exclusively dedicated to carrying out property management services in respect of Citibank Plaza and Langham Place with a separate office location and IT system.

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

Procedures to deal with Conflicts of Interests

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

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

Reporting and Transparency

Champion REIT will prepare its accounts in accordance with Hong Kong GAAP with a financial year-end of 31 December and a financial half-year end of 30 June. While it is a requirement under the REIT Code that the annual report and accounts for Champion REIT shall be published and sent to Unitholders no later than four months following each financial year-end and the interim report no later than two months following each financial half-year, in accordance with the Listing Rules, full-year financial results shall be released by the Trust not later than three months after the end of the financial year.

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

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the auditor of Champion REIT amounted to HK\$1,800,000 (2011: HK\$2,000,000) for audit and audit related services, and HK\$1,040,000 (2011: HK\$540,000) for non-audit services.

General Meetings

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. Mr. Lee Ching Ming, Adrian and Mr. Ip Yuk Keung, Albert had attended the annual general meeting held in May 2012. The Trustee or the REIT Manager may at any time convene a meeting of Unitholders. The REIT Manager will also convene a meeting of Unitholders if requested in writing by not less than two Unitholders registered as holding together not less than 10% of the Units for the time being in issue and outstanding. While it is a requirement under the Trust Deed that at least 14 days' notice of the meeting shall be given to Unitholders where an ordinary resolution is proposed for consideration at such meeting, and at least 21 days' notice shall be given to Unitholders where a special resolution is proposed for consideration at such meeting, the REIT Manager has adopted the requirement under the Corporate Governance Code of the Listing Rules that notice of annual general meeting should be sent at least 20 clear business days before the meeting and notice of all other general meetings should be sent at least 10 clear business days before the meetings.

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

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

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

At any meeting where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter, the resolution can be decided by a show of hands.

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

Proceedings of General Meetings

- At each general meeting, each substantially separate issue will be considered by a separate resolution.
- Copies of the corporate communications including circulars, explanatory statements and related documents will be despatched to Unitholders no less than 14 days for ordinary resolution and no less than 21 days for special resolution prior to the meeting. Detailed information on each resolution to be proposed will also be provided.
- The external auditor will attend annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and any other related questions as may be raised by the Unitholders.
- All votes of Unitholders at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- Independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be posted on the websites of Champion REIT and the Stock Exchange on the same day after the meeting.

Maintaining timely and effective communications with Unitholders and the investment community about corporate strategy, business development and prospects is an important priority for Champion REIT. All corporate communications of the REIT Manager, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant information are available on the website of Champion REIT at www.ChampionReit.com.

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Unitholders, in March 2012, Champion REIT proposed to provide Unitholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of Champion REIT for the information or action of Unitholders as defined in Rule 1.01 of the Listing Rules) by electronic means through Champion REIT's website at www.ChampionReit.com or in printed form. After the adoption of electronic communications with Unitholders, the number of printed corporate communications reduced by more than half.

To ensure mutual and efficient communications, the REIT Manager meets existing and potential investors, financial analysts and media at one-on-one group meetings, local and overseas conference and roadshows regularly. Analyst briefings and investor meetings were held during the year. Investors and Unitholders may visit the Champion REIT's website for details of its recent press release and results announcement presentation and may also send enquiries to the Champion REIT's website. Timeline of significant events setting out the important dates are set out in the Annual Report.

Distribution

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. The effective payout ratio for the year ended 31 December 2012 is 94.6%.

Matters to be decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things:

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

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

Issue of Further Units Post-Listing

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

- (a) the total number of new Units issued, or agreed (conditionally or unconditionally) to be issued, in that Financial Year, without taking into account:
 - (1) any new Units issued or issuable in that Financial Year pursuant to any Convertible Instruments issued (whether in that or any prior Financial Year) pursuant to and in compliance with Clause 7.1.6 under the Trust Deed, to the extent that such new Units are covered by the aggregate number of new Units contemplated under Clause 7.1.6(i)(b) of the Trust Deed at the Relevant Date applicable to the relevant Convertible Instruments;
 - (2) such number of new Units issued or issuable pursuant to any such Convertible Instruments as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;
 - (3) any new Units issued in that Financial Year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under Clause 7.1.6(i) (a) of the Trust Deed (whether in that or any prior Financial Year);
 - (4) any new Units issued or issuable (whether directly or pursuant to any Convertible Instruments) in that Financial Year pursuant to any pro rata offer made in that Financial Year in accordance with Clause 7.1.5 under the Trust Deed;
 - (5) any new Units issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a prorata basis to all existing Unitholders and in respect of which the specific prior approval of Unitholders in accordance with the relevant requirements hereunder and under applicable laws and regulations (including the Code) has been obtained; and/or
 - (6) any new Units issued or issuable in that Financial Year pursuant to any reinvestment of distributions made in that Financial Year in accordance with Clause 20.9 under the Trust Deed;

Plus

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

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

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

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

- (a) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (b) Units are issued to a Connected Person under Clause 11.1.1 of the Trust Deed in or towards the satisfaction of the REIT Manager's fees; or
- (c) Units and/or Convertible Instruments are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units and/or Convertible Instruments to or with any person(s) who is/are not its associate(s) (other than any Excluded Associate (as defined in the Trust Deed)), provided always that (i) the new Units and/or Convertible instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of the placing); and (ii) the number of Units and/or Convertible Instruments issued to the Connected Person must not exceed the number of Units and/or Convertible Instruments placed by it; or
- (d) the Connected Person is acting as underwriter or sub-underwriter of an issue or offer of Units or other securities by or on behalf of the Trust or any Special Purpose Vehicle, provided that:
 - (i) the issue or offer is made under and in accordance with Clause 7.1.5 under the Trust Deed; and
 - (ii) the issue or offer is in compliance with any applicable provisions of the Listing Rules, which provisions shall have effect, making all necessary amendments; or
- (e) the excess application and the taking up of pro rata entitlements by the Connected Person in respect of a pro rata issue of Units and/or Convertible Instruments under Clause 7.1.5 of the Trust Deed or an open offer by the Trust; or
- (f) Units are issued to a Connected Person pursuant to a reinvestment of distribution in accordance with Clause 20.9 under the Trust Deed.

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

New Units Issued

As at 31 December 2012, the total number of issued Units of Champion REIT was 5,671,360,403. As compared with the position of 31 December 2011, a total of 714,770,400 new Units were issued during the year.

Date	Particulars	No. of Units
1 Jan 2012	Number of issued Units	4,956,590,003
6 Mar 2012	Issue of new Units to the REIT Manager at the price of HK\$3.441 per Unit (being the Market Price ascribed in the trust deed constituting Champion REIT) as payment of 60% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$57,413,000 payable by Champion REIT for the six months ended 31 December 2011.	16,685,008
24 Aug 2012	Issue of new Units at the conversion price of HK\$3.44 per Unit pursuant to an Invitation Memorandum dated 13 August 2012 issued to Eligible Bondholders inviting them to convert their 1% Guaranteed Convertible Bonds due 2013 issued in 2008.	680,348,837
28 Aug 2012	Issue of new Units to the REIT Manager at the price of HK\$3.37 per Unit (being the Market Price ascribed in the trust deed constituting Champion REIT) as payment of 60% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$59,772,000 payable by Champion REIT for the six months ended 30 June 2012.	17,736,555
31 Dec 2012	Number of issued Units	5,671,360,403

Internal Controls

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

The Board is responsible for reviewing the effectiveness of the system of internal control on an annual basis through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. Through the Audit Committee and the Internal Auditor, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2012. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

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

Based on the results of the internal audit reviews for the year ended 31 December 2012 and the assessment of the Audit Committee thereon, the Board considers that the internal control system is effective and adequate. No significant irregularity or deficiency in internal controls that may affect Unitholders' investment and the Trust's assets were identified.

Interest of, and Dealings in Units by, Directors, the REIT Manager or the Significant Unitholders

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the "Governing Code") governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this Governing Code, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. Governing Code also extended to senior executives and officers of the REIT Manager. Specific enquiry has been made with the Directors, its senior executives and officers and they have confirmed that they complied with the required standard set out in the Governing Code throughout the year ended 31 December 2012.

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

Similarly, where the Directors are in possession of any unpublished insider information, they must refrain from dealing in the Units as soon as they become aware of, or privy to, such information until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules.

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

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

Repurchase, Sale or Redemption of Champion Securities

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 year ended 31 December 2012, neither the Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

Fair Vantage Limited, the issuer of the HK\$4,680,000,000 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008 (the "2008 Convertible Bonds"), had on 13 August 2012 issued an Invitation Memorandum to all eligible bondholders inviting them to submit applications to convert their bonds and to receive an incentive payment (being an amount equal to HK\$2,215 for each HK\$10,000 in principal amount of the bond so converted). In relation to the said Invitation, a total of HK\$2,340,400,000 aggregate principal amount of the bonds were converted, a total of 680,348,837 conversion units were issued to eligible bondholders and a total cash incentive payment of approximately HK\$518,400,000 was paid by Fair Vantage Limited to eligible bondholders in respect of the converted bonds.

Save as disclosed above, there was no repurchase, sale or redemption of Champion REIT's securities by the REIT Manager or the special purpose vehicles of the Trust during the year ended 31 December 2012.

Real Estate Sale and Purchase

Champion REIT did not enter into any real estate sales and purchases transactions during the year ended 31 December 2012.

Compliance with Compliance Manual

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

Public Float

As far as the REIT Manager is aware, as at 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.

Review of Annual Report

The annual report of Champion REIT for the year ended 31 December 2012 have been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2012. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2012 have been audited by the Independent Auditor, Messrs. Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of the Champion REIT for the year ended 31 December 2012 is set out in the Independent Auditor's Report.

Hong Kong, 21 February 2013

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 Group for the year ended 31 December 2012 ("Year").

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

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

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	394,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	3,000,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	10,589,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction ³	3,282,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	6,600,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	4,437,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	50,000
China Mobile Hong Kong Company Limited	Associate of a Director ⁶	Licence fee ⁷	234,000
Total			28,586,000⁹

CONNECTED PARTY TRANSACTIONS REPORT

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	326,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	1,398,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income ³	542,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁴	3,188,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁵	445,000
Total			5,899,000⁹

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	547,000
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	4,480,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	70,721,000 ⁸
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	34,000
Grow On Development Limited	Subsidiary of Great Eagle	Marketing expense	72,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	24,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Cleaning services	31,000
Total			76,747,000⁹

CONNECTED PARTY TRANSACTIONS REPORT

Notes

1. A security deposit by way of a bank guarantee of approximately HK\$859,000 provided by Eagle Property Management (CP) Limited was held by the Trust as at the Year end date.
2. A security deposit by way of bank guarantee of approximately HK\$3,127,000 provided by Langham Hotels International Limited was held by the Trust as at the Year 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 Year 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 Year 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 Year 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 Limited.
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 Year end date.
8. Out of this HK\$70,721,000, approximately HK\$69,083,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,638,000 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.
9. The annual value of the Connected Party Transactions was within the respective annual limits set out in the following table as approved by the Unitholders in the Extraordinary General Meeting held on 15 December 2010:–

	Annual Limit for the year ending 31 December 2012
I. Revenue	
Rental income	64,505,000
Building management fee	9,280,000
Total:	<u>73,785,000</u>
II. Expenditure	
Estate management transactions	<u>85,463,000</u>

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 Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Year HK\$
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	69,083,000
CAF Management Agreement (in relation to the common areas/ facilities of Langham Place)	The Great Eagle Properties Management Company, Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	1,638,000

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 Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Year HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	1,798,000
Office Sub-DMC (sub-deed of mutual covenant) for the Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of the Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense ²	30,621,000
Deed of Delegation	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Delegation of management functions of common areas/facilities	Nil
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services	72,901,000
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 and contribution ³	118,965,000 ⁴

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 Year 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 Year 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 Year end date.
4. Out of this HK\$118,965,000, approximately HK\$98,132,000 represented the amount of building management fee expense paid under the DMC for Citibank Plaza and remaining amount of approximately HK\$20,833,000 represented the amount of building management fee contribution for chiller replacement at Citibank Plaza.

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\$199,896,000 being the 12% of the net property income of the Champion REIT for such services rendered during the Year 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% will be received in cash for the Financial Year 2012. For the 12 months ended 31 December 2012, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$119,938,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$79,958,000.

Settlement Relating to the Acceptance of Invitation to the Eligible Bondholders to Convert Their 1% Guaranteed Convertible Bonds Due 2013 (the "Bonds")

On 13 August 2012, Fair Vantage Limited (the "Bonds Issuer"), a special purpose vehicle wholly-owned and controlled by Champion REIT, issued an invitation memorandum (the "Invitation") to all eligible bondholders (including the wholly-owned subsidiary (the "GE Bondholder") of Great Eagle Holdings Limited, who is a substantial Unitholder interested in approximately 51.85% of all Units in issue as at 13 August 2012), invited them to submit applications to convert their Bonds. In relation to the Invitation, the following took place on 24 August 2012: (a) a total of HK\$2,340.4 million aggregate principal amount of the Bonds were converted by eligible bondholders pursuant to the Invitation, of which HK\$2,340.0 million was converted by the GE Bondholder; (b) a total of approximately 680.3 million Conversion Units were issued to eligible bondholders in respect of the converted Bonds, of which approximately 680.2 million Conversion Units were issued to the GE Bondholder in respect of its converted Bonds; and (c) a total cash incentive payment of approximately HK\$518.4 million was paid by the Bond Issuer to Eligible Bondholders in respect of the converted Bonds, of which approximately HK\$518.3 million was paid to the GE Bondholder in respect of its converted Bonds.

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

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

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

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

Connected Party Transactions-Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/Expense for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	3,879,000
HSBC Group	Trustee Connected Persons	Bank charge	64,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest/expense	109,816,000

Connected Party Transactions-Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	41,768,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income ²	4,059,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction ²	327,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	49,000
Total			46,203,000

Notes:

1. Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited. It acts as the facility agent for (i) the term loan of HK\$7,000 million which was outstanding as at 31 December 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 31 December 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\$8,846,000 provided by the HSBC Group were held by the Trust as at the Year end date.

Connected Party Transactions-Leasing/Licensing Transactions with any member of HSBC Group under which the Annual Rent exceeds HK\$ 1 million

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Material Terms	Annual Rent HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for the whole of 20th and 21st Floors of Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 March 2010 to 28 February 2013	31,501,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for Suites 2001-5 on 20th Floor of ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term from 1 March 2010 to 1 August 2012	3,192,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for Suites Nos. 07 & 08 on Level 11 and the whole of Level 18, Office Tower, Langham Place, 8 Argyle Street and 555 Shanghai Street, Mongkok, Kowloon.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 April 2011 to 31 March 2014	7,075,000

Connected Party Transactions – Corporate Finance Transaction with HSBC Group

On 6 December 2012, Champion MTN Limited (the “Issuer”), a special purpose vehicle wholly-owned and controlled by Champion REIT, established a U.S.\$1,000,000,000 Guaranteed Medium Term Note (“Notes”) Programme (the “Programme”). The Notes may be issued by the Issuer from time to time, and will be guaranteed by the HSBC Institutional Trust Services (Asia) Limited, being the trustee of Champion REIT (“REIT Trustee”). Pursuant to a dealer agreement dated 6 December 2012 relating to the Programme and the offering and sale of Notes (the “Dealer Agreement”) entered into by the Issuer, the REIT Manager, The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and others, HSBC was appointed as the arranger and was one of the dealers for the Programme and the Notes. Hence, the Dealer Agreement and potentially the transactions contemplated under the Programme constitute connected party transactions of Champion REIT under the REIT Code. The Dealer Agreement and the transactions under the Programme that involve HSBC constitute “corporate finance transactions” between Champion REIT on the one part and the HSBC group on the other part respectively, and are covered by the waivers granted by the Securities and Futures Commission to Champion REIT on 28 April 2006 from strict compliance with Chapter 8 of the REIT Code in relation to certain categories of transactions with parties related to the REIT Trustee.

On 17 January 2013, the Issuer issued an aggregate principal amount of U.S.\$400,000,000 3.75 per cent. Guaranteed Notes due 2023 and a combined management and underwriting commission of U.S.\$1,080,000 was paid to HSBC under the Programme. The REIT Manager confirms that the details of the any further Programme-related CPTs will be disclosed in the next annual report of Champion REIT, as required under the terms of the aforesaid waivers.

Connected Party Transactions-Others

During the Year, the trustee fee of approximately HK\$9,978,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

Connected Party Transactions with Other Connected Persons

During the Year, an amount of approximately HK\$335,000 in aggregate was rendered for services to the Trust by Savills Valuation and Professional Services Limited ("Savills") and its connected persons. Among these, approximately HK\$285,000 was the valuation fee incurred for services rendered by Savills in its capacity as the principal valuer of Champion REIT.

Confirmation by the Independent Non-Executive Directors of the REIT Manager

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

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

Report from Auditor of Champion REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Champion REIT was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions on rental income, building management fee income, estate management transactions, and ordinary banking and financial services in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the Real Estate Investment Trust Code granted by the Securities and Futures Commission of Hong Kong. A copy of auditor's letter has been provided by the REIT Manager to the Securities and Futures Commission of Hong Kong.

Hong Kong, 21 February 2013

DISCLOSURE OF INTERESTS

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

As at 31 December 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:

Name	Number of Units Held ⁴	Number of Underlying Units Held	Total	Percentage of Issued Units ⁵
Directors and Chief Executive of the REIT Manager				
Lo Ka Shui	3,289,454,203 ¹	–	3,289,454,203 ¹	58.00
Cheng Wai Chee, Christopher	13,424,730 ²	–	13,424,730 ²	0.23
Lee Ching Ming, Adrian	273,250 ³	–	273,250 ³	0.00
REIT Manager				
Eagle Asset Management (CP) Limited	246,732,838 ¹	–	246,732,838 ¹	4.35
Substantial Unitholders				
Great Eagle Holdings Limited	3,281,594,203 ¹	–	3,281,594,203 ¹	57.86
HSBC International Trustee Limited	3,264,901,312 ¹	–	3,264,901,312 ¹	57.56
Top Domain International Limited	1,420,416,628 ¹	–	1,420,416,628 ¹	25.04
Keen Flow Investments Limited	913,580,933 ¹	–	913,580,933 ¹	16.10
Bright Form Investments Limited	680,232,558 ¹	–	680,232,558 ¹	11.99

Notes:

- Among these 3,289,454,203 Units, 1,660,000 Units were held by Dr Lo Ka Shui directly, 6,200,000 Units were held by a discretionary trust of which Dr Lo Ka Shui is the settler and a member of the Advisory Committee and Management Committee, and 3,281,594,203 Units were deemed to be interests held by Great Eagle Holdings Limited ("Great Eagle"), of which Dr Lo Ka Shui is a substantial shareholder holding 20.44% voting right in its share capital.

The 3,281,594,203 Units deemed to be held by Great Eagle were held by its controlled corporations comprising:

- 1,420,416,628 Units held by Top Domain International Limited directly;
- 913,580,933 Units held by Keen Flow Investments Limited directly;
- 680,232,558 Units being by Bright Form Investments Limited directly;
- 246,732,838 Units held by Eagle Asset Management (CP) Limited directly;
- 14,578,503 Units held by Fine Noble Limited directly; and
- 6,052,743 Units held by Great Eagle Nichemusic Limited directly.

Compared with the position as at 30 June 2012, save for the number of Units held by Eagle Asset Management (CP) Limited increased by 17,736,555 Units, the number of underlying units held by Bright Form Investments Limited reduced to zero and became 680,232,558 Units due to conversion of convertible bonds due 2013 in the principal amount of HK\$2,340,000,000 at the conversion price of HK\$3.44 and the number of Units held by Great Eagle Nichemusic Limited increased by 4,923,000 Units, the unitholdings of these companies remained unchanged.

Before 24 August 2012, the 680,232,558 Units as mentioned under item 1(c) above were underlying Units 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 Investments Limited at the conversion price of HK\$3.44. The convertible bonds due 2013 in the principal amount of HK\$2,340,000,000 were fully converted to Units effective 24 August 2013.

The number of shares held by HSBC International Trustee Limited ("HITL") disclosed was based on the latest Disclosure of Interest Form dated 24 August 2012 received from HITL.

HITL was deemed to be interested in the same parcel of Units held by Great Eagle 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 20.44% voting rights in the capital of Great Eagle.

DISCLOSURE OF INTERESTS

2. These Units were held by a trust of which Mr. Cheng Wai Chee, Christopher is a beneficiary.
3. The number of Units held by Mr. Lee Ching Ming, Adrian increased by 100,000 Units as compared with the position as at 30 June 2012.
4. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.
5. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,671,360,403 as at 31 December 2012 and rounded down to 2 decimal places.

Save as disclosed above, there was no change in the number of Units and underlying Units held by the above persons during the period from 1 July 2012 to 31 December 2012. Besides, as at 31 December 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.

Holdings of Other Connected Persons

As at 31 December 2012, in addition to the disclosures in the above section headed "Holdings of Directors and Chief Executive of the REIT Manager, the REIT Manager and Substantial Unitholders", so far as the REIT Manager is aware, the following persons, being also 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 ⁴
Fortune Mega Investments Limited	163,936,151 ¹	—	163,936,151 ¹	2.89
HSBC Group	670,108 ²	3,197,674 ²	3,867,782 ²	0.06
Savills Valuation and Professional Services Limited	4,000 ³	—	4,000 ³	0.00

Notes:

1. These Units were directly held by Fortune Mega Investments Limited. Its intermediate holding companies, Julian Holdings Limited, Kerry Properties Limited, Kerry Properties (Hong Kong) Limited and Spring Capital Holdings Limited, were deemed to be interested in the same parcel of Units. Each of them was a connected person by virtue of being an associate of Mr. Ho Shut Kan (a director of the REIT Manager). Their unitholdings remained unchanged as compared with the position as at 30 June 2012.
2. 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 600,108 Units were held by its 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 HSBC Group decreased by 366,000 Units as compared with the position as at 30 June 2012.
 HSBC Group was deemed to be interested in these 3,197,674 Units which were underlying Units derived from the convertible bonds due 2013 in the principal amount of HK\$11,000,000 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 decreased by HK\$21,600,000 as compared with the position as at 30 June 2012.
3. Savills Valuation Professional Services Limited is a connected person by virtue of its being the principal valuer (as defined under REIT Code) of Champion REIT. It was deemed to be interested in 4,000 Units which were held by a associated director. Savills Valuation Professional Services Limited was not interested or deemed to be interested in any Units as at 30 June 2012.
4. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,671,360,403 as at 31 December 2012 and rounded down to 2 decimal places.

Save as disclosed in the notes above, there was no change in the number of Units and underlying Units held by the above connected persons during the period from 1 July 2012 to 31 December 2012.

Holdings of Directors and Chief Executive of the REIT Manager in Great Eagle Holdings Limited

Great Eagle Holdings Limited ("Great Eagle") is the holding company of Champion REIT. As at 31 December 2012, Great Eagle owned 57.86% interests in Champion REIT. While the definition of "associates" under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle are disclosed as follows:

Dr. Lo Ka Shui has a personal interest in 49,503,129 shares and 1,870,000 share options and a corporate interest in 3,619,407 shares of Great Eagle as at 31 December 2012. He is the founder of a discretionary trust which owns 75,954,787 shares of Great Eagle and is also an eligible beneficiary of another discretionary trust which owns 208,891,692 shares in Great Eagle as at the 31 December 2012.

Mr. Lo Kai Shui has a personal interest in 202,973 shares and 425,000 share options and a corporate interest in 639,146 shares of Great Eagle as at 31 December 2012. He is also an eligible beneficiary of another discretionary trust which owns 208,891,692 shares in Great Eagle as at the 31 December 2012.

Mr. Lee Ching Ming, Adrian has a personal interest in 57,110 shares and 246,000 share options of Great Eagle as at 31 December 2012.

FINANCIALS

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INDEPENDENT AUDITOR'S REPORT



To the Unitholders of Champion Real Estate Investment Trust

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

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 99 to 139, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Consolidated Financial Statements

The Manager of Champion REIT is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2012 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 February 2013

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Rental income	7	1,863,443	1,757,980
Building management fee income		172,817	164,436
Rental related income	8	22,754	17,866
Total revenue		2,059,014	1,940,282
Property operating expenses	9	(393,214)	(377,995)
Net property income		1,665,800	1,562,287
Interest income		7,231	10,548
Manager's fee	10	(199,896)	(187,474)
Trust and other expenses		(21,147)	(15,980)
Increase in fair value of investment properties	16	3,435,451	4,634,700
Change in fair value of derivative components of convertible bonds	23	(192,663)	1,246,398
Change in fair value of rental stabilisation arrangement	17	–	17
Gain on repurchase of convertible bonds		–	1,895
Gain on settlement of convertible bonds		–	219
Gain relating to convertible bonds converted in conjunction with exchange offer	23	90,107	–
Finance costs	11	(404,703)	(575,238)
Profit before tax and distribution to unitholders	12	4,380,180	6,677,372
Income taxes	13	(220,229)	(184,402)
Profit for the year, before distribution to unitholders		4,159,951	6,492,970
Distribution to unitholders		(1,186,217)	(1,110,520)
Profit for the year, after distribution to unitholders		2,973,734	5,382,450
Basic earnings per unit	14	HK\$0.80	HK\$1.31
Diluted earnings per unit	14	HK\$0.72	HK\$0.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2012

	2012 HK\$'000	2011 HK\$'000
Profit for the year, after distribution to unitholders	2,973,734	5,382,450
Cash flow hedges:		
Gain arising during the year	–	59,353
Reclassification adjustments for amounts recognised in profit or loss	–	63,019
	–	122,372
Total comprehensive income for the year	2,973,734	5,504,822

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
NON-CURRENT ASSETS			
Investment properties	16	58,297,000	54,857,300
CURRENT ASSETS			
Trade and other receivables	19	196,247	180,034
Tax recoverable		1,257	1,798
Bank balances and cash	20	1,397,082	1,292,752
Total current assets		1,594,586	1,474,584
Total assets		59,891,586	56,331,884
CURRENT LIABILITIES			
Trade and other payables	21	1,167,146	1,169,976
Deposits received		426,356	405,131
Tax liabilities		120,828	73,988
Distribution payable		608,833	592,565
Secured term loans	22	2,452,646	–
Convertible bonds	23	3,051,344	–
Total current liabilities		7,827,153	2,241,660
NON-CURRENT LIABILITIES, EXCLUDING NET ASSETS			
ATTRIBUTABLE TO UNITHOLDERS			
Secured term loans	22	7,472,192	9,407,481
Convertible bonds	23	–	5,632,722
Deferred tax liabilities	25	340,041	294,454
Total non-current liabilities, excluding net assets attributable to unitholders		7,812,233	15,334,657
Total liabilities, excluding net assets attributable to unitholders		15,639,386	17,576,317
Net assets attributable to unitholders		44,252,200	38,755,567
Number of units in issue ('000)			
	26	5,671,360	4,956,590
Net asset value per unit	28	HK\$7.80	HK\$7.82

The consolidated financial statements on pages 99 to 139 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT") on 21 February 2013 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

LEE Ching Ming, Adrian
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For The Year Ended 31 December 2012

	Issued units HK\$'000 (note 26)	Hedging reserve HK\$'000	Others HK\$'000 (note)	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2011	21,033,383	(122,372)	5,757,943	6,472,953	33,141,907
Profit for the year, after distribution to unitholders	–	–	–	5,382,450	5,382,450
Cash flow hedges	–	122,372	–	–	122,372
Total comprehensive income for the year	–	122,372	–	5,382,450	5,504,822
Issue of units	108,838	–	–	–	108,838
Net assets attributable to unitholders as at 31 December 2011	21,142,221	–	5,757,943	11,855,403	38,755,567
Profit for the year, after distribution to unitholders and total comprehensive income for the year	–	–	–	2,973,734	2,973,734
Issue of units	2,522,899	–	–	–	2,522,899
Net assets attributable to unitholders as at 31 December 2012	23,665,120	–	5,757,943	14,829,137	44,252,200

Note: "Others" represent

- (i) Excess of fair value of property interests acquired over acquisition costs from unitholders amounting to HK\$5,752,658,000 in prior years; and
- (ii) Pursuant to the Deed of Amendment of Distribution Entitlement Waiver Deed dated 14 February 2008, the undertakings made by Top Domain International Limited, a wholly owned subsidiary of Great Eagle Holdings Limited ("Great Eagle"), under the Distribution Entitlement Waiver Deed dated 26 April 2006 in respect of distribution periods in 2008 ceased to be effective in consideration of a total amount of HK\$86,185,000, of which HK\$5,285,000 was retained.

DISTRIBUTION STATEMENT

For The Year Ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
INTERIM DISTRIBUTION PERIOD			
Total distributable income		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 amounts (note (i))		–	6,050
Total distribution amount paid		577,384	517,955
FINAL DISTRIBUTION PERIOD			
Total distributable income	15	1,253,865	1,170,311
Less: distributable income paid in Interim Distribution Period		(577,384)	(511,905)
Distributable income available for Final Distribution Period		676,481	658,406
Percentage of distributable income for distribution (note (i))		90%	90%
Distributable income for Final Distribution Period		608,833	592,565
Total distribution amount to be paid		608,833	592,565
Total distribution amounts for the year		1,186,217	1,110,520
DISTRIBUTIONS PER UNIT TO UNITHOLDERS			
Interim distribution per unit paid (note (ii))		HK\$0.1018	HK\$0.1045
Final distribution per unit to be paid (note (iii))		HK\$0.1074	HK\$0.1191
		HK\$0.2092	HK\$0.2236

Notes:

- (i) It is the policy of the Manager to distribute 90% (2011: 90%) of available distributable income as distributions for each of the six month periods ended 30 June (the "Interim Distribution Period") and 31 December (the "Final Distribution Period").
- For the Interim Distribution Period in 2011, additional amounts of HK\$6,050,000 were distributed at the discretion of Manager for the amount received according to the Rental Stabilisation Arrangement (see note 17).
- (ii) The interim distribution per unit of HK\$0.1018 for the Interim Distribution Period in 2012 was calculated based on the interim distribution paid of HK\$577,384,000 for the period and 5,671,360,403 units as of 24 September 2012, which was the record date for the period. The distribution was paid to unitholders on 9 October 2012.
- The interim distribution per unit of HK\$0.1045 for the Interim Distribution Period in 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.
- (iii) The final distribution per unit of HK\$0.1074 for the Final Distribution Period in 2012 is calculated based on the final distribution to be paid of HK\$608,833,000 for the period and 5,671,360,403 units. Such final distribution will be subject to further adjustments upon the issuance of units between 1 January 2013 and 2 May 2013, which is the record date set for such period. The final distribution will be paid to unitholders on or about 21 May 2013.
- The final distribution per unit of HK\$0.1191 for the Final Distribution Period in 2011 was calculated based on the final distribution paid of HK\$592,565,000 for the period and 4,973,275,011 units as of 3 May 2012, which was the record date for the period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2012

	2012 HK\$'000	2011 HK\$'000
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	4,380,180	6,677,372
Adjustments for:		
Increase in fair value of investment properties	(3,435,451)	(4,634,700)
Change in fair value of derivative components of convertible bonds	192,663	(1,246,398)
Change in fair value of rental stabilisation arrangement	–	(17)
Gain on repurchase of convertible bonds	–	(1,895)
Gain on settlement of convertible bonds	–	(219)
Gain relating to convertible bonds converted in conjunction with exchange offer	(90,107)	–
Manager's fee paid and payable in units	119,938	112,484
Interest income	(7,231)	(10,548)
Finance costs	404,703	575,238
Operating cash flow before movements in working capital	1,564,695	1,471,317
Increase in trade and other receivables	(16,397)	(72,284)
(Decrease) increase in trade and other payables	(5,627)	15,466
Increase in deposits received	21,225	36,784
Cash Generated from Operations	1,563,896	1,451,283
Interest paid	(143,661)	(205,269)
Hong Kong Profits Tax paid	(127,261)	(45,606)
Net Cash from Operating Activities	1,292,974	1,200,408
INVESTING ACTIVITIES		
Interest received	7,415	9,766
Cash received from rental stabilisation arrangement	–	6,050
Settlement of loan receivables	–	55,307
Additions to investment properties	(4,249)	–
Net cash from investing activities	3,166	71,123
FINANCING ACTIVITIES		
Bank origination fees	(3,750)	(52,500)
Redemption of convertible bonds	–	(841,803)
New bank loan raised	500,000	7,000,000
Repayment of bank loan	–	(7,000,000)
Incentive payment upon conversion of convertible bonds pursuant to exchange offer	(518,399)	–
Settlement upon conversion of convertible bonds	–	(2,153)
Distribution paid	(1,169,661)	(1,054,688)
Repurchase of convertible bonds	–	(65,725)
Net Cash Used in Financing Activities	(1,191,810)	(2,016,869)
Net Increase (Decrease) in Cash and Cash Equivalents	104,330	(745,338)
Cash and Cash Equivalents at Beginning of The Year	1,292,752	2,038,090
Cash and Cash Equivalents at End of Year, represented by bank balances and cash	1,397,082	1,292,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

1. General

Champion REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units are listed on The Stock Exchange of Hong Kong Limited (the "HKSE"). Champion REIT is governed by the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed"), entered into between the Manager and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"), and the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong.

The principal activity of Champion REIT and its subsidiaries (the "Group") is to own and invest in income-producing commercial properties in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. The address of the registered office of the Manager and the Trustee, is Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Hong Kong, and 1 Queen's Road Central, Hong Kong, respectively.

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

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

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

Amendments to HKFRS 7 Disclosures – Transfer of Financial Assets

In prior year, the Group early adopted the Amendments to HKAS 12 "Deferred Taxes: Recovery of Underlying Assets" 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.

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ⁴
Amendment to HKAS 1	Presentation of Items of Other Comprehensive Income ³
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

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

² Effective for annual periods beginning on or after 1 January 2015

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Manager anticipates that HKFRS 9 will be adopted in the Group’s financial statements for the annual period beginning 1 January 2015 but that the application of HKFRS 9 may not have significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities.

HKFRS 13 “Fair Value Measurement”

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial Instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Manager anticipates that HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will not affect the Group’s financial position, however the application will result in more extensive disclosures in the consolidated financial statements.

The Manager anticipates that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

Basis of preparation of consolidated financial statements

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Champion REIT and the entities controlled by Champion REIT. Control is achieved where Champion REIT has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities.

Income and expenses of controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Investment properties

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

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

Leasing

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial instruments

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

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

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables and other receivables, receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio beyond the invoice date, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Instruments, or components of instruments, that impose on the Champion REIT an obligation to deliver to the holders a pro-rata share of the net assets only on liquidation are presented as equity only when certain specific criteria are met.

In accordance with the Trust Deed, Champion REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period and has a limited life of 80 years less one day from the date of its commencement. Therefore, in addition to the contractual distribution to unitholders, the units issued by Champion REIT contain a contractual obligation upon its termination to distribute a share of all net cash proceeds derived from the sale or realisation of its assets less any liabilities to its unitholders in accordance with their proportionate interests in Champion REIT at the date of its termination. Accordingly, the units issued by Champion REIT are compound instruments that contain both equity and liability components.

Effective interest method

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

Other financial liabilities

Other financial liabilities (including trade and other payables, distribution payable, secured term loans and liability component of the convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Unit issue costs

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

Convertible bonds

Convertible bonds issued by the Group that contain both liability and derivative components (including early redemption option which is not closely related to the host liability component, and conversion option) are classified separately into the respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of Champion REIT's own units is a conversion option derivative. At the date of issue, both the liability and derivative components are recognised at fair value.

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Convertible bonds (Continued)

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

Derivative financial instruments and hedging

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

Embedded derivatives

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

Hedge accounting

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

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

Cash flow hedge

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

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

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

3. Significant Accounting Policies (Continued)

Hedge accounting (Continued)

Derecognition

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

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

Cash and cash equivalents

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

Revenue recognition

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

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

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

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

Borrowing costs

All borrowing costs in relation to non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in net assets attributable to unitholders respectively.

4. Key Sources of Estimation Uncertainty

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

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by independent professional valuers. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 16.

As described in note 23, assumptions are made based on market data such as historical volatility of Champion REIT's unit prices for the valuation of derivative components of convertible bonds.

Where the actual future market data varies, a material adjustment on the fair values of investment properties and derivative components of convertible bonds may arise. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

5. Financial Instruments

(a) Categories of financial instruments

	2012 HK\$'000	2011 HK\$'000
FINANCIAL ASSETS		
<i>Loans and receivables</i>		
Trade and other receivables	22,048	17,156
Bank balances and cash	1,397,082	1,292,752
	1,419,130	1,309,908
FINANCIAL LIABILITIES		
<i>Financial liabilities at FVTPL</i>		
Derivative components of convertible bonds	308,563	350,677
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	167,741	175,989
Distribution payable	608,833	592,565
Secured term loans	9,924,838	9,407,481
Liability component of convertible bonds	2,742,781	5,282,045
	13,444,193	15,458,080

(b) Financial risks management objectives and policies

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

(i) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk arises mainly from its variable-rate secured term loans (see note 22 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits and debt portion of the convertible bonds.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate term loans. The Manager will continue to monitor the interest rate risk to the Group and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

5. Financial Instruments (Continued)

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

(i) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments. For variable-rate term loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2011: 50) basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit before tax and distribution to unitholders for the year ended 31 December 2012 would decrease/increase by HK\$49,770,000 (2011: HK\$47,270,000). This is mainly attributable to the Group's exposure to interest rates on its secured variable-rate term loans amounting to HK\$9,954,000,000 (2011: HK\$9,454,000,000) which are not hedged.

(ii) Other price risk

The Group is exposed to price risk through its unit price risks arising from the derivative components of the convertible bonds. Details of convertible bonds are set out in note 23.

Sensitivity analysis

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

A positive number indicates a decrease in profit before tax whereas a negative number indicates an increase in profit before tax.

	2012 HK\$'000	2011 HK\$'000
Derivative components of convertible bonds		
Volatility, higher by 5%	10,485	27,917
Volatility, lower by 5%	(10,382)	(23,109)

(iii) Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the Property Manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Manager reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

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

5. Financial Instruments (Continued)

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

(iii) Credit risk (continued)

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

(iv) Liquidity and capital risk management

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

The Group has cash and cash equivalents of HK\$1,397,082,000 as at 31 December 2012 (2011: HK\$1,292,752,000). In addition to the cash resources, the Group has total available borrowing facilities amounted to HK\$10,454,000,000 (2011: HK\$9,954,000,000), of which HK\$9,954,000,000 (2011: HK\$9,454,000,000) was drawn as at 31 December 2012. The undrawn committed facility in the form of revolving bank loans totalled HK\$500,000,000 as at 31 December 2012 (2011: HK\$500,000,000).

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee. During the year, no notes were issued.

The management considers that the Group has sufficient financial resources to satisfy its commitments and working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value as required by the Code. As at 31 December 2012, the gearing ratio was 20.4% (2011: 25.0%). The ratio is calculated as total borrowings (principal amounts of secured term loans and convertible bonds) divided by total assets of the Group.

Liquidity and interest risk tables

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2012, the Group has undrawn committed facility of HK\$500,000,000 (2011: HK\$500,000,000). Details of which are set out in note 22. In addition, as described in note 35, the Group issued an aggregate principal amount of US\$400,000,000 note under the guaranteed medium term note programme on 17 January 2013. As a result, the Manager considered that the liquidity risk of the Group can be reduced.

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

5. Financial Instruments (Continued)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate %	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2012								
<i>Non-interest bearing</i>								
Trade and other receivables	-	22,048	-	-	-	-	22,048	22,048
<i>Variable interest rate</i>								
Bank balances and cash	0.45	1,397,262	-	-	-	-	1,397,262	1,397,082
Total		1,419,310	-	-	-	-	1,419,310	1,419,130
<i>Non-interest bearing</i>								
Trade and other payables	-	(107,575)	-	-	-	-	(107,575)	(107,575)
Distribution payable	-	(608,833)	-	-	-	-	(608,833)	(608,833)
		(716,408)	-	-	-	-	(716,408)	(716,408)
<i>Variable interest rate instruments</i>								
Secured term loans	1.17	(19,784)	(2,492,408)	(47,712)	(7,044,039)	(507,564)	(10,111,507)	(9,924,838)
<i>Fixed interest rate instruments</i>								
Convertible bonds	6.38	-	(2,818,056)	-	-	-	(2,818,056)	(2,742,781)
Total		(736,192)	(5,310,464)	(47,712)	(7,044,039)	(507,564)	(13,645,971)	(13,384,027)

5. Financial Instruments (Continued)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2011								
<i>Non-interest bearing</i>								
Trade and other receivables	-	17,156	-	-	-	-	17,156	17,156
<i>Variable interest rate</i>								
Bank balances and cash	0.91	1,292,888	-	-	-	-	1,292,888	1,292,752
Total		1,310,044	-	-	-	-	1,310,044	1,309,908
<i>Non-interest bearing</i>								
Trade and other payables	-	(118,576)	-	-	-	-	(118,576)	(118,576)
Distribution payable	-	(592,565)	-	-	-	-	(592,565)	(592,565)
		(711,141)	-	-	-	-	(711,141)	(711,141)
<i>Variable interest rate instruments</i>								
Secured term loans	1.15	(17,999)	(36,070)	(54,794)	(2,550,896)	(7,034,850)	(9,694,609)	(9,407,481)
<i>Fixed interest rate instruments</i>								
Convertible bonds	6.38	-	(23,025)	(23,025)	(5,726,868)	-	(5,772,918)	(5,282,045)
Total		(729,140)	(59,095)	(77,819)	(8,277,764)	(7,034,850)	(16,178,668)	(15,400,667)

(c) Fair value

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

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative components of convertible bonds are estimated using the Binomial model.

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

5. Financial Instruments (Continued)

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2012				
<i>Financial liabilities at FVTPL</i>				
Derivative components of convertible bonds	–	–	308,563	308,563
As at 31 December 2011				
<i>Financial liabilities at FVTPL</i>				
Derivative components of convertible bonds	–	–	350,677	350,677

There were no transfers between Level 1 and 2 in both current and last years.

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

	Rental stabilisation arrangement HK\$'000	Derivative components of convertible bonds HK\$'000	Total HK\$'000
As at 1 January 2011	6,033	(1,602,171)	(1,596,138)
Change in fair value	17	1,246,398	1,246,415
Conversion during the year	–	183	183
Repurchase during the year	–	4,913	4,913
Cash received	(6,050)	–	(6,050)
As at 1 January 2012	–	(350,677)	(350,677)
Change in fair value	–	(192,663)	(192,663)
Conversion during the year	–	234,777	234,777
As at 31 December 2012	–	(308,563)	(308,563)

5. Financial Instruments (Continued)

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

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

6. Segment Information

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 year under review.

For the year ended 31 December 2012

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
Revenue	1,205,962	853,052	2,059,014
Segment results – Net property income	1,000,559	665,241	1,665,800
Interest income			7,231
Manager’s fee			(199,896)
Trust and other expenses			(21,147)
Increase in fair value of investment properties			3,435,451
Change in fair value of derivative components of convertible bonds			(192,663)
Gain relating to convertible bonds converted in conjunction with exchange offer			90,107
Finance costs			(404,703)
Profit before tax and distribution to unitholders			4,380,180
Income taxes			(220,229)
Profit for the year, before distribution to unitholders			4,159,951
Distribution to unitholders			(1,186,217)
Profit for the year, after distribution to unitholders			2,973,734
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager’s fee	(120,067)	(79,829)	(199,896)
Increase in fair value of investment properties	90,951	3,344,500	3,435,451

6. Segment Information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2011

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
Revenue	1,154,144	786,138	1,940,282
Segment results – Net property income	945,635	616,652	1,562,287
Interest income			10,548
Manager's fee			(187,474)
Trust and other expenses			(15,980)
Increase in fair value of investment properties			4,634,700
Change in fair value of derivative components of convertible bonds			1,246,398
Change in fair value of rental stabilisation arrangement			17
Gain on repurchase of convertible bonds			1,895
Gain on settlement of convertible bonds			219
Finance costs			(575,238)
Profit before tax and distribution to unitholders			6,677,372
Income taxes			(184,402)
Profit for the year, before distribution to unitholders			6,492,970
Distribution to unitholders			(1,110,520)
Profit for the year, after distribution to unitholders			5,382,450
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager's fee	(113,476)	(73,998)	(187,474)
Increase in fair value of investment properties	2,690,700	1,944,000	4,634,700

6. Segment Information (Continued)

Other segment information

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
FOR THE YEAR ENDED 31 DECEMBER 2012			
Additions to non-current assets	4,249	–	4,249

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2012, the fair value of Citibank Plaza and Langham Place was HK\$36,533,000,000 (2011: HK\$36,437,800,000) and HK\$21,764,000,000 (2011: HK\$18,419,500,000), respectively.

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

Geographical information

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

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

Information about major tenants

Revenue from tenants contributing over 10% of the total revenue of the Group consists of two tenants of Citibank Plaza with revenue amounting to HK\$209,956,000 and HK\$235,883,000 (2011: HK\$212,065,000 and HK\$234,413,000) respectively.

7. Rental Income

	2012 HK\$'000	2011 HK\$'000
Rental income	1,831,279	1,728,358
Car park income	32,164	29,622
	1,863,443	1,757,980

8. Rental Related Income

	2012 HK\$'000	2011 HK\$'000
Interest income from tenants	204	550
Promotional levy income	7,217	7,141
Surplus on forbearance fee	653	–
Sundry income	14,680	10,175
	22,754	17,866

9. Property Operating Expenses

	2012 HK\$'000	2011 HK\$'000
Building management expenses	198,882	184,306
Car park operating expenses	8,504	7,718
Government rent and rates	69,408	60,488
Legal cost and stamp duty	2,948	5,375
Promotion expenses	23,052	15,085
Property and lease management service fee	56,545	51,177
Property miscellaneous expenses	2,996	2,270
Rental commission	26,052	49,855
Repairs and maintenance	4,827	1,721
	393,214	377,995

10. Manager's Fee

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2012 and 31 December 2012, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2012 and 31 December 2012 as remuneration.

	2012 HK\$'000	2011 HK\$'000
Manager's fee:		
In the form of units	119,938	112,484
In the form of cash	79,958	74,990
	199,896	187,474

Pursuant to election allowed by the Trust Deed on 14 January 2011 and applied to the financial year 2012 as no further election was made since then, 60% of Manager's fee for each of the six months ended 30 June 2012 and 2011 and 31 December 2012 and 2011 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.

11. Finance Costs

	2012 HK\$'000	2011 HK\$'000
FINANCE COSTS REPRESENT:		
Interest expense on bank borrowings wholly repayable within five years	130,704	163,089
Interest expense on convertible bonds wholly repayable within five years	272,705	344,988
Release of cumulative loss on hedging instrument (note 24)	–	66,075
Other borrowing costs	1,294	1,086
	404,703	575,238

12. Profit Before Tax And Distribution to Unitholders

	2012 HK\$'000	2011 HK\$'000
PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS HAS BEEN ARRIVED AT AFTER CHARGING:		
Auditors' remuneration	1,800	2,000
Trustee's remuneration	9,978	9,442
Principal valuer's fee	285	355
Other professional fees and charges	8,874	3,063
Roadshow and public relations expenses	29	16
Bank charges	123	106

13. Income Taxes

	2012 HK\$'000	2011 HK\$'000
HONG KONG PROFITS TAX:		
CURRENT TAX		
– Current year	174,769	112,677
– (Over)underprovision in prior year	(127)	26
	174,642	112,703
DEFERRED TAX (NOTE 25)		
– Current year	45,587	71,699
	220,229	184,402

13. Income Taxes (Continued)

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

	2012 HK\$'000	2011 HK\$'000
Profit before tax and distribution to unitholders	4,380,180	6,677,372
Tax at the domestic income tax rate of 16.5%	722,730	1,101,766
Tax effect of income not taxable for tax purpose	(583,524)	(972,820)
Tax effect of expenses not deductible for tax purpose	49,771	18,258
(Over)underprovision in prior year	(127)	26
Tax effect of tax losses not recognised	31,379	37,172
Income taxes for the year	220,229	184,402

14. Basic and Diluted Earnings Per Unit

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

	2012 HK\$'000	2011 HK\$'000
EARNINGS		
Profit for the year, before distribution to unitholders for the purpose of basic earnings per unit	4,159,951	6,492,970
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	272,705	333,036
Change in fair value of derivative components of convertible bonds	192,663	(1,246,398)
Gain relating to convertible bonds converted in conjunction with exchange offer	(90,107)	–
Gain on repurchase of convertible bonds	–	(1,895)
Gain on settlement of convertible bonds	–	(219)
Profit for the year, before distribution to unitholders for the purpose of diluted earnings per unit	4,535,212	5,577,494

	2012	2011
NUMBER OF UNITS		
Weighted average number of units for the purpose of basic earnings per unit	5,222,103,929	4,950,030,693
Effect of dilutive potential units:		
Convertible bonds	1,091,429,295	1,359,418,518
Weighted average number of units for the purpose of diluted earnings per unit	6,313,533,224	6,309,449,211

15. Total Distributable Income

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

	2012 HK\$'000	2011 HK\$'000
Profit for the year, before distribution to unitholders	4,159,951	6,492,970
Adjustments:		
Manager's fee paid and payable in units	119,938	112,484
Increase in fair value of investment properties	(3,435,451)	(4,634,700)
Change in fair value of derivative components of convertible bonds	192,663	(1,246,398)
Change in fair value of rental stabilisation arrangement	–	(17)
Non-cash gain	(90,107)	(741)
Non-cash finance costs	261,284	375,014
Deferred tax	45,587	71,699
Total distributable income	1,253,865	1,170,311

16. Investment Properties

	2012 HK\$'000	2011 HK\$'000
FAIR VALUE		
At the beginning of the year	54,857,300	50,222,600
Additions during the year	4,249	–
Increase in fair value during the year	3,435,451	4,634,700
	58,297,000	54,857,300

The fair value of the Group's investment properties at 31 December 2012 and 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 the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised 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 properties range from 4.0% to 4.25% (2011: 4.1% to 4.5%) and 3.3% to 4.0% (2011: 4.0% to 4.2%), respectively.

16. Investment Properties (Continued)

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 31 December 2012, investment properties with total fair value of HK\$53,771,000,000 (2011: HK\$49,072,300,000) have been mortgaged as security for credit facilities and convertible bonds as detailed in notes 22 and 23, respectively.

17. 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 at the end of the reporting period. The fair value gain during the year ended 31 December 2011 of HK\$17,000 was credited to consolidated income statement.

18. Loan Receivables

On 24 May 2011, an amount of HK\$55,307,000 was received by the Group to settle the loan receivables due from the interest rate swap counterparty upon the expiry of the interest rate swaps.

19. Trade And Other Receivables

	2012 HK\$'000	2011 HK\$'000
Trade receivables	21,873	16,788
Deferred rent receivables	106,105	112,445
Deposits, prepayments and other receivables	68,269	50,801
	196,247	180,034

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:

	2012 HK\$'000	2011 HK\$'000
0 – 3 months	21,873	16,788

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$21,873,000 (2011: HK\$16,788,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

20. Bank Balances And Cash

	2012 HK\$'000	2011 HK\$'000
Cash on hand	2	6
Cash at bank	801,948	563,123
Time deposits	595,132	729,623
	1,397,082	1,292,752

Bank balances carry interest at market rates of 0.001% to 0.51% (2011: 0.001% to 0.35%) per annum. Time deposits have original maturity of less than three months and carry interest at market rates which range from 0.57% to 0.70% (2011: 1.2% to 1.57%) per annum.

21. Trade and Other Payables

	2012 HK\$'000	2011 HK\$'000
Trade payables	51,517	64,124
Rental received in advance	11,553	18,251
Other payables	140,601	124,126
Accrued stamp duty	963,475	963,475
	1,167,146	1,169,976

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (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 interest 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:

	2012 HK\$'000	2011 HK\$'000
0 – 3 months	51,517	64,124

22. Secured Term Loans

	2012 HK\$'000	2011 HK\$'000
Secured term loans	9,954,000	9,454,000
Loan front-end fee	(29,162)	(46,519)
	9,924,838	9,407,481

The maturity of the above secured term loans is as follows:

Within one year	2,452,646	–
More than one year but not exceeding two years	6,975,585	2,449,397
More than two years but not exceeding five years	496,607	6,958,084
	9,924,838	9,407,481
Less: amount due within one year shown under current liabilities	(2,452,646)	–
Amount due after one year	7,472,192	9,407,481

22. Secured Term Loans (Continued)

The secured term loans comprise the following:

- (i) On 2 June 2008, the Group arranged a syndicated term loan and revolving credit facility of HK\$2,954,000,000. The total facility drawn down by the Group as at 31 December 2012 was HK\$2,454,000,000 (2011: HK\$2,454,000,000). The facility bears interest at floating interest rate of 1-month HIBOR plus 0.59% per annum and is repayable in full on 3 June 2013.

As security for the facilities granted to the Group, investment properties with a fair value of HK\$21,764,000,000 as at 31 December 2012 (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.

- (ii) On 24 May 2011, the Group refinanced a syndicated term loan of HK\$7,000,000,000. The facility bears interest at a floating interest rate of 1-month HIBOR plus 0.93% per annum and is repayable in full on 24 May 2014.

As security for the term loan granted to the Group, investment properties with fair value of HK\$30,658,000,000 as at 31 December 2012 (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.

- (iii) On 18 September 2012, the Group arranged a bilateral term loan of HK\$500,000,000. The facility bears interest at floating interest rate of 1-month HIBOR plus 1.85% per annum and is repayable in full on 18 September 2015.

As security for the term loan granted to the Group, investment properties with fair value of HK\$1,349,000,000 as at 31 December 2012 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 bank.

23. Convertible Bonds

On 22 December 2006, Treasure Source Limited ("2006 Bonds Issuer"), an entity directly wholly-owned and controlled by Champion REIT, issued HK\$765,000,000 2% guaranteed convertible bonds which matured on 23 May 2011 ("2006 Bonds").

During the year ended 31 December 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 the 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 have been 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 2013 ("2008 Bonds"). As security for the 2008 Bonds, certain investment properties with a fair value of HK\$21,764,000,000 as at 31 December 2012 (2011: HK\$18,419,500,000) together with the assignment of insurance proceeds have been granted and mortgaged in favour of the bond holders by the 2008 Bonds Issuer.

23. Convertible Bonds (Continued)

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 or 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.

During the year ended 31 December 2011, a principal amount of HK\$10,000 of the 2008 Bonds was converted to 2,770 units of Champion REIT. In addition, 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.

In August 2012, the 2008 Bonds Issuer invited the bondholders of the 2008 Bonds to convert their bonds and to receive an incentive payment of HK\$2,215 for each HK\$10,000 in principal amount of the 2008 Bonds so converted. The 2008 Bonds Issuer received valid applications in respect of HK\$2,340,400,000 aggregate principal amount of the 2008 Bonds ("Converted Bonds"). The applications received were inclusive of an aggregate principal amount held by Great Eagle, a significant unitholder, through its directly wholly-owned subsidiary, Bright Form Investments Limited ("Bright Form"), of HK\$2,340,000,000. Accordingly, pursuant to the exchange offer an aggregate amount of HK\$518,399,000 was paid as incentive payment and 680,348,837 units of Champion REIT were issued. The fair value of the units of Champion REIT of the Converted Bonds amounting to HK\$2,405,714,000, was recognised in "Issued Units" accordingly. The difference between the carrying amount of Converted Bonds of HK\$3,014,219,000 and the consideration paid of HK\$2,924,112,000 was recognised as a gain of HK\$90,107,000 in the profit or loss.

As at 31 December 2012, the principal amount of 2008 Bonds outstanding was HK\$2,264,590,000 (2011: HK\$4,604,990,000) and Bright Form no longer held any of the 2008 Bonds (2011: held an aggregate principal amount of HK\$2,340,000,000).

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

23. Convertible Bonds (Continued)

As at 31 December 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 as follows:

	2012	2011
Unit price	HK\$3.71	HK\$2.92
Risk-free rate of interest	0.05%	0.30%
Dividend yield	5.53%	7.13%
Historical volatility (with similar time to maturity)	42%	45%

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

	2012 HK\$'000	2011 HK\$'000
LIABILITY COMPONENT		
At the beginning of the year	5,282,045	5,896,323
Interest charged	272,705	344,988
Interest paid	(32,527)	(52,553)
Conversion during the year	(2,779,442)	(2,203)
Redemption during the year	–	(841,803)
Repurchase during the year	–	(62,707)
At the end of the year	2,742,781	5,282,045
DERIVATIVE COMPONENTS		
At the beginning of the year	350,677	1,602,171
Change in fair value	192,663	(1,246,398)
Conversion during the year	(234,777)	(183)
Repurchase during the year	–	(4,913)
At the end of the year	308,563	350,677
Total convertible bonds	3,051,344	5,632,722

The maturity of the bonds is as follows:

Within one year	3,051,344	–
More than one year but not exceeding two years	–	5,632,722
	3,051,344	5,632,722
Less: amount due within one year shown under current liabilities	(3,051,344)	–
Amount due after one year	–	5,632,722

24. Derivative Financial Instruments

The Group used interest rate swaps to minimise the exposure to movements in interest rates in relation to its floating rate term loan by swapping from floating rate to fixed rate. The interest rate swaps and the corresponding term loan had 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 of the interest rate swaps in 2008, the cumulative losses on the interest rate swaps from inception of the hedge until the amendment was released to consolidated income statement over the periods during which the variability of interest payment in relation to the secured term loan affects the consolidated income statement. During the year ended 31 December 2011, release of such cumulative losses from the hedging reserve amounted to HK\$66,075,000.

25. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2011	275,152	(52,397)	222,755
Charge to consolidated income statement during the year	37,783	33,916	71,699
As at 31 December 2011	312,935	(18,481)	294,454
Charge to consolidated income statement during the year	37,347	8,240	45,587
As at 31 December 2012	350,282	(10,241)	340,041

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

As at 31 December 2012, the Group has unutilised tax losses amounting to HK\$1,017,388,000 (2011: HK\$877,148,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$62,070,000 (2011: HK\$112,007,000) of such losses. No deferred tax asset has been recognised in respect of the remaining of HK\$955,318,000 (2011: HK\$765,141,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

26. Issued Units

	Number of units	HK\$'000
Balance at 1 January 2011	4,930,584,756	21,033,383
Payment of Manager's fee through issuance of new units during the year (note (ii))	26,002,477	108,825
Units issued upon the conversion of convertible bonds (note 23)	2,770	13
Balance at 31 December 2011	4,956,590,003	21,142,221
Payment of Manager's fee through issuance of new units during the year (note (ii))	34,421,563	117,185
Units issued upon the conversion of convertible bonds pursuant to an exchange offer (note 23)	680,348,837	2,405,714
Balance at 31 December 2012	5,671,360,403	23,665,120

Notes:

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

Issue date	Payment of the Manager's fees for the period	Issue price per unit determined based on the Trust Deed HK\$	Aggregate issue price HK\$'000	Number of units issued
In 2012				
6 March 2012	1.7.2011 to 31.12.2011	3.441	57,413	16,685,008
28 August 2012	1.1.2012 to 30.6.2012	3.37	59,772	17,736,555
			117,185	34,421,563
In 2011				
8 March 2011	1.7.2010 to 31.12.2010	4.62	53,753	11,634,743
26 August 2011	1.1.2011 to 30.6.2011	3.833	55,072	14,367,734
			108,825	26,002,477

27. Major Non Cash Transactions

- (i) During the year ended 31 December 2012, 34,421,563 (2011: 26,002,477) units were issued as payment for the Manager's fee, amounting to HK\$117,185,000 (2011: HK\$108,825,000).
- (ii) During the year ended 31 December 2012, 680,348,837 units were issued upon the conversion of the 2008 Bonds pursuant to an exchange offer as described in note 23.

During the year ended 31 December 2011, 2,770 units were issued upon the conversion of the 2008 Bonds.

28. Net Asset Value Per Unit

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2012 of HK\$44,252,200,000 (2011: HK\$38,755,567,000) by the number of units in issue of 5,671,360,403 (2011: 4,956,590,003) as at 31 December 2012.

29. Net Current Liabilities

At 31 December 2012, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$6,232,567,000 (2011: HK\$767,076,000).

30. Total Assets Less Current Liabilities

At 31 December 2012, the Group's total assets less current liabilities amounted to HK\$52,064,433,000 (2011: HK\$54,090,224,000).

31. Operating Lease Commitments

At 31 December 2012, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2012 HK\$'000	2011 HK\$'000
Within one year	1,689,785	1,660,691
In the second to fifth year inclusive	2,486,366	2,825,335
Over five years	55,310	20,665
	4,231,461	4,506,691

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. Contingent rental income of HK\$95,709,000 (2011: HK\$64,188,000) was received for the year.

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

32. Capital Commitment

	2012 HK\$'000	2011 HK\$'000
Capital expenditure in respect of the addition of investment properties contracted for but not provided in the consolidated financial statements	56,328	–

33. Connected And Related Party Transactions

During the year, in addition to those disclosed in note 23, the Group entered into the following transactions with connected and related parties:

	Notes	2012 HK\$'000	2011 HK\$'000
<i>Rental income</i>			
China Mobile Hong Kong Company Limited	(a)	234	227
Langham Hotels International Limited	(b)	10,589	10,348
Langham Place Hotel (HK) Limited	(b)	3,282	3,282
Strong Dynamic Limited	(b)	6,600	6,600
The Great Eagle Properties Management Company, Limited	(b)	4,487	3,954
Eagle Asset Management (CP) Limited	(b)	394	394
Eagle Property Management (CP) Limited	(b)	3,000	2,825
HSBC Group ¹	(c)	42,095	44,470
<i>Interest income</i>			
HSBC Group ¹	(c)	3,879	2,930
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	3,188	2,952
The Great Eagle Properties Management Company, Limited	(b)	445	434
Langham Hotels International Limited	(b)	1,398	1,398
Langham Place Hotel (HK) Limited	(b)	542	542
Eagle Property Management (CP) Limited	(b)	326	326
HSBC Group ¹	(c)	4,108	4,077
<i>Building management expenses and car park operating expenses</i>			
The Great Eagle Properties Management Company, Limited	(b)	170,651	154,915
Longworth Management Limited	(b)	30,621	30,621
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	56,545	51,177
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(b)	16,356	25,643
Savills (Hong Kong) Limited	(d)	50	–
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	1,121	437
Toptech Co. Limited	(b)	1,347	638
Keysen Engineering Company, Limited	(b)	259	16
The Great Eagle Properties Management Company, Limited	(b)	2	4

33. Connected And Related Party Transactions (Continued)

	Notes	2012 HK\$'000	2011 HK\$'000
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	4,480	1,158
Toptech Co. Limited	(b)	836	905
Keysen Engineering Company, Limited	(b)	547	116
The Great Eagle Properties Management Company, Limited	(b)	2	4
Sun Fook Kong Housing Services Limited	(e)	31	–
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	34	61
Grow On Development Limited	(b)	72	–
Clever Gain Investment Ltd	(b)	24	36
<i>Trust and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	9,978	9,442
HSBC Group ¹	(c)	64	68
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(b) & (f)	199,896	187,474
<i>Finance costs</i>			
Hang Seng Bank Limited ²	(c)	109,816	89,565
Bright Form Investments Limited ⁴	(b)	108,201	161,976
<i>Valuation fee</i>			
Savills Valuation and Professional Services Limited	(d)	285	–
Knight Frank Petty Limited	(d)	–	355

Balances with connected and related parties are as follows:

	Notes	2012 HK\$'000	2011 HK\$'000
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (g)	46,775	25,942
Longworth Management Limited	(b) & (g)	15,311	15,311
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	13,499	21,849
Eagle Asset Management (CP) Limited	(b) & (g)	100,276	95,689
Toptech Co. Limited	(b) & (g)	801	208
The Great Eagle Engineering Company Limited	(b) & (g)	1,718	434
The Great Eagle Properties Management Company, Limited	(b) & (g)	13,296	12,611
Keysen Engineering Company, Limited	(b) & (g)	331	69
The Great Eagle Company, Limited	(b) & (g)	1	1
Langham Place Hotel (HK) Limited	(b) & (g)	–	15

33. Connected And Related Party Transactions (Continued)

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

	Notes	2012 HK\$'000	2011 HK\$'000
<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 Hotels International Limited	(b) & (j)	–	–
Langham Place Hotel (HK) Limited	(b) & (k)	15	15
HSBC Group ¹	(c)	8,846	9,072

Notes:

- (a) This company is an associate³ 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 the subsidiaries of Great Eagle, a significant unitholder of Champion REIT.
- (c) These companies are the Trustee or associates³ of the Trustee.
- (d) This company is the principal valuer of Champion REIT or its associates³.
- (e) This company is a subsidiary of SFK Construction Holdings Limited ("SFK"), which is an associate³ 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 31 December 2012.
- (g) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (h) A bank guarantee of HK\$859,000 (2011: HK\$859,000) was received in lieu of deposit.
- (i) A bank guarantee of HK\$2,585,000 (2011: HK\$2,585,000) was received in lieu of deposit.
- (j) A bank guarantee of HK\$3,127,000 (2011: HK\$3,121,000) was received in lieu of deposit.
- (k) In addition to HK\$15,000 (2011: HK\$15,000) received as damage deposit, a bank guarantee of HK\$1,154,000 (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 a term loan of HK\$7,000 million which was drawn down on 24 May 2011 and outstanding as at 31 December 2012 and a term loan of HK\$2,954 million (of which HK\$2,454 million term loan was drawn down on 3 June 2008 and outstanding as at 31 December 2012).
- ³ As defined in the Code.
- ⁴ The finance cost represents effective interest for the aggregate principal amount of HK\$2,340,000,000 of 2008 Bonds held during the year by Bright Form Investments Limited.

34. Particulars of Principal Subsidiaries of Champion REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2012 and 2011.

Name	Issued and fully paid Ordinary share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	100 shares of HK\$10 each	Property investment
CP (A1) Limited	1 share of HK\$1	Property investment
CP (B1) Limited	1 share of HK\$1	Property investment
CP (MC) Limited	1 share of HK\$1	Property investment
CP (PH) Limited	1 share of HK\$1	Property investment
CP (SH) Limited	1 share of HK\$1	Property investment
CP (WC) Limited	1 share of HK\$1	Property investment
CP Finance Limited	1 share of HK\$1	Financing
CP (Portion A) Limited	2 shares of HK\$1 each	Property investment
CP (Portion B) Limited	2 shares of HK\$1 each	Property investment
CP Glory Limited*	1 share of HK\$1	Financing
CP Wealth Limited	1 share of HK\$1	Provision of rental collection service
Elegant Wealth Limited	1 share of HK\$1	Property investment
Maple Court Limited	2 shares of HK\$1 each	Property investment
Panhy Limited	2 shares of HK\$1 each	Property investment
Renaissance City Development Company Limited	2 shares of HK\$10 each	Property investment
Shine Hill Development Limited	1,000,000 shares of HK\$1 each	Property investment
Trump Treasure Limited	1 share of HK\$1	Financing
Well Charm Development Limited	2 shares of HK\$1 each	Property investment
Incorporated and operating in Cayman Islands and indirectly owned and controlled by Champion REIT:		
Champion MTN Limited*	1 share of US\$1	Medium term notes issuer
Ernest Limited	100 shares of US\$1 each	Investment holding
Fair Vantage Limited	1 share of US\$1	Debt securities issuer

* These subsidiaries were incorporated and commenced their business during the year ended 31 December 2012

The Manager is of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

35. Event After the Reporting Period

On 17 January 2013, Champion MTN Limited, an entity directly wholly-owned and controlled by Champion REIT, issued an aggregate principal amount of US\$400,000,000 3.75% Guaranteed Notes due 2023 ("Issue Notes") under its US\$1,000,000,000 guaranteed medium term note programme at an issue price of 99.185% of the aggregate principal amount. The Hongkong and Shanghai Banking Corporation Limited, a connected person of Champion REIT as defined under the REIT Code, and other external parties were joint lead managers for the issue. The Issue Notes bears a fixed interest rate of 3.75% per annum, payable semi-annually in arrear and due on 17 January 2023. Summary of the principal terms of the Issue Notes is set out in Champion REIT's announcement on 17 January 2013.

PERFORMANCE TABLE

	2012	2011	2010	2009	2008
AS AT 31 DECEMBER:					
Net asset value (HK\$'000)	44,252,200	38,755,567	33,141,907	28,254,537	24,270,940
Net asset value per unit (HK\$)	7.80	7.82	6.72	5.86	5.47
The highest traded price during the period (HK\$)	3.95	5.01	4.70	3.37	4.85
The highest premium of the traded price to net asset value ¹	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	2.91	2.65	3.23	1.56	1.31
The highest discount of the traded price to net asset value	62.69%	66.11%	51.95%	73.37%	76.06%
FOR THE YEAR ENDED 31 DECEMBER:					
The distribution yield per unit ²	5.64%	7.66%	4.71%	7.91%	15.30%
The net (loss) profit yield per unit ³	19.77%	44.86%	23.46%	26.37%	(35.02%)

Notes:

1. The highest traded price is lower than the net asset value per unit. Accordingly, no premium of the traded price to net asset value is presented.
2. Distribution yield per unit is calculated based on the distribution per unit of HK\$0.2092 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2012 over the traded price of HK\$3.71 as at 31 December 2012.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2012 over the traded price of HK\$3.71 as at 31 December 2012.

CORPORATE INFORMATION

Champion REIT

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

REIT Manager

Eagle Asset Management (CP) Limited
Suite 3008, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2879 1288
Fax: (852) 2827 1338
Email: info@eam.com.hk

Board of Directors of the REIT Manager

Non-executive Directors

LO Ka Shui (*Chairman*)
CHENG Wai Chee, Christopher
HO Shut Kan
LO Kai Shui

Executive Director

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

Independent Non-executive Directors

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

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 Bankers

Bank of China (Hong Kong) Limited
Citibank, N.A.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited

Legal Advisor

Baker & McKenzie

Auditor

Deloitte Touche Tohmatsu

Principal Valuer

Savills Valuation and Professional Services Limited

Unit Registrar and Transfer Office

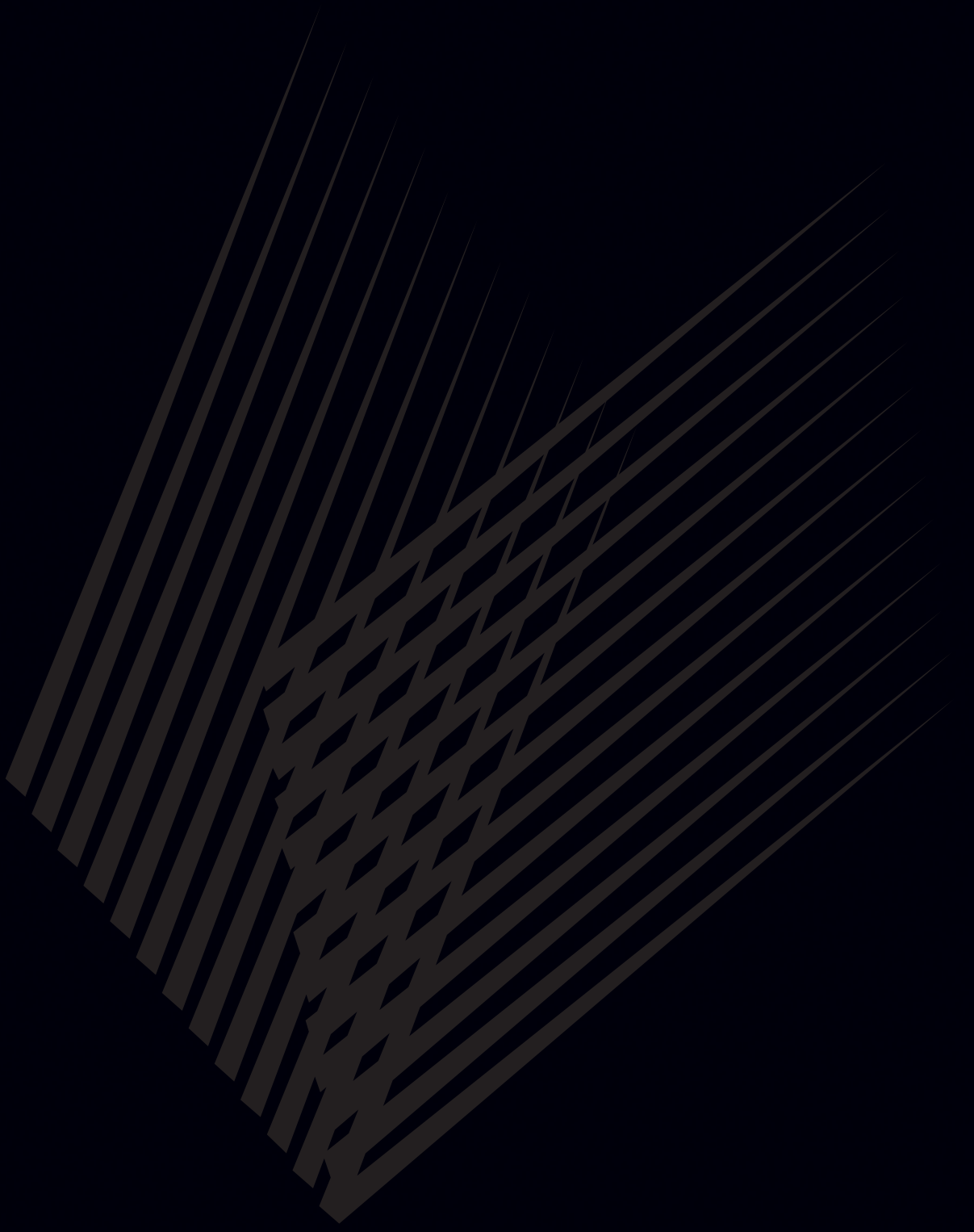
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Email: hkinfo@computershare.com.hk

Website

www.ChampionReit.com

Stock Code

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