



Champion REIT
冠君產業信託



2013

INTERIM REPORT
中期報告

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)
冠君產業信託(股份代號：2778)為根據香港法例第571章證券及期貨條例第104條獲認可的香港集體投資計劃

GLOBAL BEST PRACTICES AND STANDARDS

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

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

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

TRUST PROFILE

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties and is one of Asia's 10 largest REITs outside of Japan by market capitalization. The Trust's focus is on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to 2.93 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Citibank Plaza and Langham Place, one on each side of the Victoria Harbour.

TRUST OBJECTIVES

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



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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

2778

FINANCIAL HIGHLIGHTS

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

	6 Months Ended 30 Jun 2013	6 Months Ended 30 Jun 2012	% Change
Total Revenue	1,059	1,011	+4.7%
Property Operating Expenses	200	181	+10.5%
Net Property Income	858	830	+3.4%
Profit After Tax ¹	1,570	1,267	+23.9%
Distributable Income	634	642	-1.2%
Distribution Amount	570	577	-1.2%
Distribution per Unit (HK\$)	0.1001	0.1018	-1.7%
Expense Ratio (%)	18.9	17.9	+1.0% ²

	At 30 Jun 2013	At 31 Dec 2012	% Change
Gross Value of Portfolio	59,016	58,297	+1.2%
Net Asset Value per Unit (HK\$)	7.96	7.80	+2.1%
Gearing Ratio (%)	21.1	20.4	+0.7% ²

Notes:

1. Includes gains or losses upon revaluation.
2. Absolute change is used for figures stated in percentages.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Gross Revenue for the six months ended 30 June 2013 was HK\$1,059 million, an increase of 4.7% compared to the same period a year ago. Revenue from Citibank Plaza was steady and the improvement in Gross Revenue was driven by Langham Place, and in particular the strong performance of the Langham Place Mall. Occupancy levels have been relatively steady at all the Trust's properties and the increase in revenue was derived from positive rental reversions as leases were rolled over at Langham Place.

Operating Expenses of the REIT increased 10.5% to HK\$200 million as building management fees were pushed up materially by wage inflation and increased staffing levels to upgrade customer service. Net Property Income amounted to HK\$858 million. This was a 3.4% improvement over the same period a year ago. A more detailed analysis on the operations of the Trust is given in the following operational review section.

The appraised value of the Trust's properties as of 30 June 2013 was HK\$59,016 million, a 1.2% increase since 31 December 2012. Taking into account this increase in property value, Net Asset Value per Unit was HK\$7.96, compared to HK\$7.80 per Unit at the end of 2012.

Taking advantage of a window of high liquidity, US\$400 million of 10-year notes at a favourable coupon rate of 3.75% p.a. were issued early in the Period. At the completion of this year's debt refinancing exercise, the total debt level was increased by HK\$585 million to HK\$12.8 billion, mainly to fund the redemption premium of outstanding convertible bonds which matured in June. As a result of this increase, the Gearing Ratio saw a marginal increase from 20.4% to 21.1%.

Profit After Tax was HK\$1,570 million for the Period, an increase of HK\$303 million or 23.9%. This was mainly due to net revaluation gains as the increase in Net Property Income was only HK\$28 million. Excluding revaluation gains and other items that are non-cash in nature, Distributable Income for the Period was HK\$634 million. Distributable Income was down 1.2% from the corresponding period last year in spite of the improvement of the properties' aggregate performance because of a HK\$33 million increase in net cash interest costs and a decrease in manager's fees paid in Units from 60% to 50% of the total. The Distribution Amount, which is set at 90% of Distributable Income, is HK\$570 million. The Distribution per Unit ("DPU") for the Period is HK\$0.1001, down 1.7% from a year ago.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

	6 Months Ended 30 June 2013 HK\$'000	6 Months Ended 30 June 2012 HK\$'000	% Change
Citibank Plaza			
Revenue	600,412	596,808	+0.6%
Operating Expenses	102,448	97,390	+5.2%
Net Property Income	497,964	499,418	-0.3%
Langham Place Office			
Revenue	138,408	128,882	+7.4%
Operating Expenses	28,124	24,995	+12.5%
Net Property Income	110,284	103,887	+6.2%
Langham Place Mall			
Revenue	319,843	285,093	+12.2%
Operating Expenses	69,593	58,229	+19.5%
Net Property Income	250,250	226,864	+10.3%

Citibank Plaza

The outlook for the office leasing market in Central was initially improving this year with the stock market hitting new highs and a strong pipeline of initial public offerings queued to launch. However, demand for office space was subsequently dampened by concerns that the US Federal Reserve will start reducing its bond repurchases by 2014. Growth projections for China were also trimmed down. This resulted in the hesitation on the part of some Central occupants with regards to their space requirements. Nevertheless, the general lack of new supply of space within Central limited the impact on occupancy and rent rates, while the lack of large

spaces in decentralized areas curtailed relocations to secondary office districts. Residual demand from corporations and provincial banks from Mainland China, as well as resource companies and law firms building an initial presence in Hong Kong have supported the overall vacancy rate in Central at about the 5% level.

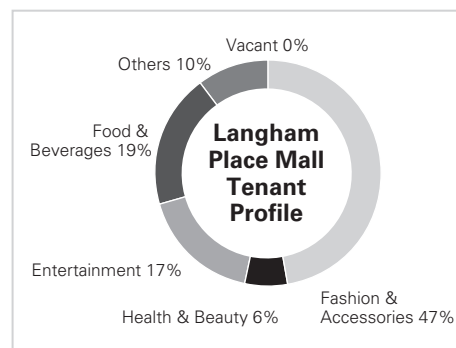
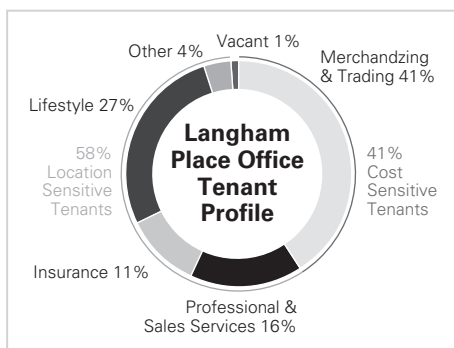
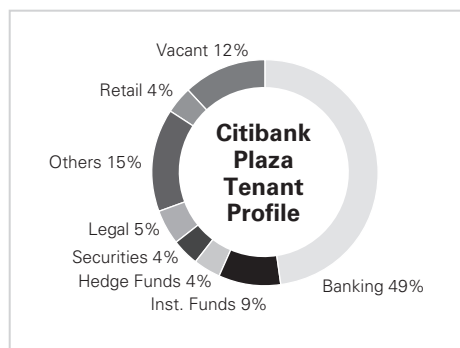
Occupancy at Citibank Plaza decreased marginally from 89.1% at the beginning of the year to 88.4% as of 30 June 2013. Occupancy was affected by the lease expiry of a bank which previously occupied 2 floors during the Period, though this was offset to a large degree by various smaller new leases. Asking rents at Citibank Plaza are currently at HK\$80-85 per sq. ft. Passing rents,

which are the average rental rate of existing tenancies weighted by floor area, increased slightly from HK\$85.12 per sq. ft. at the beginning of the year to HK\$85.26 per sq. ft. at mid year.

Rental income at Citibank Plaza was flat and gross revenue only saw a marginally improvement to HK\$600 million because of a 10% increase in building management fee income. There was a corresponding increase in building management fee expense which drove operating expenses up 5.2% to HK\$102 million. The net result was a marginal 0.3% decrease in net property income commensurate with the slight drop in occupancy.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW



Champion REIT completed on 11 July 2013 the acquisition of the remaining four floors at Citibank Plaza that it did not already own, funding the HK\$2.16 billion transaction using new debt. The acquired floors have a lettable area of 54,896 sq. ft. and will be undergoing refurbishment in the next few months. They will become available for occupation towards the end of the year.

Langham Place Office Tower

The resilience of the non-financial sectors in Hong Kong has sustained demand for office space outside of the Central district. Supply of office space in both Hong Kong Island and the Kowloon Peninsula has been below their long term average since 2009 and rents in all office districts outside of Central have been improving. In general, vacancy levels have remained in the low single digits. The Langham Place Office Tower was no exception and it maintained its high occupancy levels through the first half of the year. The occupancy rate was 98.8% as of 30 June 2013.

As part of the ongoing enhancement of the tenant mix,

a further 2% of the floor area was shifted to location-sensitive tenants (now 58% of the building) who pay higher rents. Asking rents at the Langham Place Office Tower have risen this year and are now HK\$38-45 per sq. ft. Passing rent increased from HK\$28.36 at the end of last year to HK\$30.42 as of 30 June 2013. This was a result of higher rent rates on 20% of the floor area subject to new leases during the first half.

Revenue at the Office Tower increased 7.4% to HK\$138 million, compared to HK\$129 million for the corresponding period in 2012. Operating expenses increased 12.5% to HK\$28 million, again driven by an increase in building management fee expenses. Net property income grew 6.2% from HK\$104 million to HK\$110 million.

Langham Place Mall

In the first half of 2013, the Mall continued to enjoy very high levels of foot traffic. It remained virtually fully let at mid-year 2013. Its focus on mid-price fashion and younger shoppers has largely sheltered the Mall from the slowdown in tourist spending on luxury items. Average sales per sq. ft. for tenants at the Mall for the first half grew 9.7%

year-on-year. The pace of growth has moderated mainly due to the lacklustre performance of fashion retailers which was affected by unfavourable weather conditions in April and May. However Beauty and Skincare tenants, which account for 6% of the floor area but over 25% of sales, continued to outperform with a sales growth of 15.7% year-on-year.

In the first half, tenancies representing only 5% of the Mall's floor area were rolled over. Nonetheless, the average Passing Rent Rate increased from HK\$114.89 at the end of 2012 to HK\$118.71 per sq. ft. as of June 2013. Revenue increased 12.2% from HK\$285 million to HK\$320 million. This was a reflection of the follow-on effect of rent rate increases from the second half of 2012. Operating expenses were up 19.5% to HK\$70 million for the Period, mainly due to wage-driven building management charges that increased 24.6% from HK\$31.7 million to HK\$39.5 million. Overall, Net Property Income increased by 10.3% from HK\$227 million to HK\$250 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The operating environment will remain challenging for Citibank Plaza for the remainder of 2013. Uncertainties in financial markets have caused financial institutions to err on the side of caution when evaluating their space requirements. Concerns over the transition of China to a more balanced economy with lower GDP growth also linger. Incremental demand from Chinese regional banks and corporates should however help to counteract the weak demand. At the start of the year, leases on 12.3% of the floor area at Citibank Plaza were due for expiry in 2013. We have managed to renew or find new tenants for 11.6% of floor area in the first six months of the year. With only 1.4% of the floor area in Citibank Plaza expiring for the remainder of the year, rental income should be stable in the second half. Until stronger demand emerges in Central, we will continue to price our space flexibly to build occupancy.

At Langham Place we expect continued high levels of occupancy for the Office Tower. For the second half of 2013, leases covering a further 31% of floor area are expiring, of which 25% has already been rolled-over at generally higher rent rates. We should therefore see an increase in rental income in the second half.

Langham Place Mall has remained a location of choice for popular cosmetics brands and mid-priced fashion and accessory retailers. The Mall's emphasis on the younger demographic and medium budget tourists should support continuing sales growth. To counter the contingency of a slowdown in tourist spending, we will intensify our promotion and marketing activities in the coming months. For the second half of 2013, leases representing a further 28% of floor area are expiring, with 25% having already secured new leases. Their positive impact on revenue will be seen in the second half and be fully felt in the first half of 2014. Therefore we should continue to see good growth in rental income at the Mall in the second half.

While there is limited downside on the income of Citibank Plaza for the rest of 2013 and a high likelihood of higher rental income at Langham Place, a better operating performance at the properties level in the second half will not necessarily result in higher distributions. Cash financing costs for the year will be higher than the previous year because of the refinancing of low-coupon convertible bonds with the issuance of the fixed-rate 10-year notes. We have also drawn down a new bank loan for

property acquisition. Although replacing short-term debt by long-term debt will put pressure on our distribution in the short term, they have eliminated the dilution overhang of the convertible bonds and also spread out our debt maturity profile while providing more stability to our long-term funding costs.

By Order of the Board

**Eagle Asset Management (CP)
Limited**

(as manager of Champion Real
Estate Investment Trust)

Lo Ka Shui

Chairman

Hong Kong, 8 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Savills Valuation and Professional Services Limited on 26 July 2013, the valuation of the properties of Champion REIT broken down by usage as of 30 June 2013 is:

	Citibank Plaza	Langham Place	Sub-total
Jun 2013 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	35,369	7,366	42,735
Retail	440	14,753	15,193
Car Park	326	275	601
Miscellaneous	300	187	487
Total	36,435	22,581	59,016

Champion REIT's property portfolio is now valued at HK\$59.02 billion, an increase of HK\$719 million from the December 2012 valuation of HK\$58.30 billion. The capitalization rate used to value Citibank Plaza has remained the same at 3.3% and its reduction in value of HK\$98 million is based on adjustments to rental assumptions. The capitalization rate used to value Langham Place was also unchanged, at 4.0%, and its HK\$817 million increase in value was due to higher rental assumptions.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Distributions

DISTRIBUTION AMOUNT

The Distribution Amount of Champion REIT for the Period was HK\$570,200,000 (six months ended 30 June 2012: HK\$577,384,000), calculated as 90% of Champion REIT's total available distributable income of HK\$633,555,000 (six months ended 30 June 2012: HK\$641,538,000).

DISTRIBUTION PER UNIT

The Distribution per Unit for the Period was HK\$0.1001. This represents an annualized distribution yield of 5.6% based on the closing price of HK\$3.56 as at 28 June 2013. Such Distribution per Unit, however, is subject to adjustment upon the issuance of new Units between 1 July 2013 and the record date. Further announcement will be made to inform unitholders of the actual interim Distribution per Unit for the Period.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 17 September 2013 to Monday, 23 September 2013 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The payment of the 2013 Interim Distribution will be made on 9 October 2013 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2013 Interim Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 September 2013.

Debt Profile

During the period, the Trust issued from the Guaranteed Medium Term Note ("MTN") Programme a tranche of US\$400 million 10-year unsecured notes in January 2013 with a fixed interest rate of 3.75% per annum. The net proceeds from the MTN were used to (a) partially refinance the HK\$2,454 million term loan (the "2013 Loan") which was due in June 2013; and (b) finance the redemption of the outstanding convertible bonds issued in year 2008 (the "Bonds") which was due in June 2013.

As at 30 June 2013, total outstanding borrowings of the Trust amounted to HK\$12,803.7 million. This was an increase of HK\$585 million compared to six months ago and comprised mainly the additional funds that the Trust raised via the MTN for the purposes of paying the 23.94% redemption premium of the Bonds upon its maturity.

As at 30 June 2013, the total principal amount of the debt facilities of the Trust was as follows:

HK\$ million	Fixed rate debt	Floating rate debt	Total debt
Syndicated Loans	–	9,200.0	9,200.0
Bank Loans	–	500.0	500.0
MTN	3,103.7*	–	3,103.7
Total	3,103.7	9,700.0	12,803.7
Percentage	24.2%	75.8%	100.0%

* After accounting for the cross currency swaps

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

During the Period, an aggregate principal amount of HK\$322.9 million of the Bonds were converted before its maturity date. As a result, the Trust repaid approximately HK\$322.9 million and issued approximately 12.4 million new Units to the converting bondholders. Immediately after the conversions, the outstanding principal amount of the Bonds was reduced to HK\$1,941.7 million and fully redeemed with an aggregate amount of HK\$2,406.5 million in June 2013.

As at 30 June 2013, all bank loans of the Trust, representing 75.8% of the Trust's total debt, were on floating bases. They bear interest at a floating rate of HIBOR plus a spread ranging from 0.93% per annum to 1.85% per annum. 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.

As our Trust's income is in HK\$, the Trust fully hedged its currency exposure in respect to the

principal as well as the interest of the MTN by entering into cross currency swaps (the "CCSs") in an aggregate amount of US\$400 million during the period. With these CCSs, the Trust locked in the interest payment and final principal exchange rates at an average of 7.7593 and a fixed coupon rate of 3.75% per annum (that was identical to the MTN coupon).

After the issuance of the MTN in January 2013, the average outstanding life of the Trust's committed debt facilities has now been extended to 3.41 years (as at 31 December 2012: 1.07 years).

The valuation of the Trust's investment properties at 30 June 2013 was appraised at HK\$59,016 million, representing a 1.2% appreciation from HK\$58,297 million achieved at 31 December 2012. However, as total borrowings increased, the Gearing Ratio (or total borrowings as a percentage of gross assets) increased slightly to 21.1% from 20.4% as at 31 December 2012. The gross liabilities (excluding net

assets attributable to Unitholders) as a percentage of gross assets were 25.3%.

Net Assets attributable to Unitholders

Driven primarily by an increase in the fair value of investment properties, net assets attributable to Unitholders was HK\$45,341.8 million as at 30 June 2013, an increase of HK\$1,089.6 million as compared to HK\$44,252.2 million as at 31 December 2012. The Net Asset Value per Unit of HK\$7.96 represented a 123.6% premium to the closing unit price of HK\$3.56 as at 28 June 2013.

Cash Position

As at 30 June 2013, the Trust had total undrawn bank loan facilities of HK\$300 million (31 December 2012: HK\$500 million) and a cash balance of HK\$1,250.1 million (31 December 2012: HK\$1,397.1 million). Taking into consideration the financial resources available to the REIT, Champion has sufficient liquid assets to satisfy its working capital and operating requirements.

As at 30 June 2013, the maturity profile of the Trust's borrowings was as follows:

	HK\$ million	% of total
Due in year 2014	7,000.0	54.7
Due in year 2015	500.0	3.9
Due in year 2016	2,200.0	17.2
Due in year 2023	3,103.7	24.2
Total	12,803.7	100.0

Pledge Assets

As at 30 June 2013, investment properties of Champion REIT with a fair value of HK\$39,303 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure the banking facilities granted to the REIT. During the Period, the Trust took the opportunity to release Langham Place Mall and Car Park as security upon the 2013 Loan refinancing. Accordingly, the value of the pledged assets decreased by HK\$14,468 million from HK\$53,771 million as at 31 December 2012.

Commitments

As at 30 June 2013, the Trust had capital commitment contracted for but not provided in the condensed consolidated financial statements as follows:

- (a) HK\$58.8 million (31.12.2012: HK\$56.3 million) in respect of the addition of investment properties; and
- (b) HK\$1,939.8 million, being the balance of the consideration of HK\$2,155.3 million, and stamp duty of HK\$91.6 million in respect of the acquisition of a portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower (the "Acquisition").

Save as aforementioned, the Trust did not have any other significant commitments at the end of the reporting period.

Events after the end of the Reporting Period

The Acquisition was completed on 11 July 2013. A new term loan facility of HK\$1,900 million was drawn on 8 July 2013 to finance the Acquisition. The facility bears interest at floating interest rate of HIBOR plus 1.48% per annum and is repayable on 8 July 2018.

Following completion, Champion REIT currently owns 100% of the rentable area of Citibank Plaza.

CORPORATE GOVERNANCE

Principles of Corporate Governance

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

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

Authorisation Structure and Governance Structure

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

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Mr. Lee Ching Ming, Adrian, the Chief Executive Officer and Executive Director, Mr. Choo Chong Yao, Patrick, the Chief Investment Officer and Mr. Kwong Chi Kwong, the Chief Operating Officer are the responsible officers of the REIT Manager pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code. The Responsible Officers have completed the Continuous Professional Training as required by the SFO for each calendar year.

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

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, whereas the REIT Manager is responsible to manage Champion REIT in accordance with the Trust Deed (as defined below) and to ensure that the financial and economic aspects of Champion REIT’s assets are professionally managed in the sole interests of Unitholders.

The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Deed of Trust constituting Champion REIT (“Trust Deed”) entered into between the REIT Manager and the Trustee on 26 April 2006 as amended by a First Supplemental Deed dated 5 December 2006, a Second Supplemental Deed dated 4 February 2008, a Third Supplemental Deed dated 9 March 2009, a Fourth Supplemental Deed dated 23 July 2010 and a Fifth Supplemental Deed dated 13 March 2012.

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

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

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors. Appointments to the Board are on merit and against objective criteria and with due regard for the benefits of diversity. Considerations that factor into the candidate short-listing process include but not limited to legal requirements, best practices, skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. Restrictions like gender, age, cultural or educational background will not be set when short-listing candidates.

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

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

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

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

CORPORATE GOVERNANCE AND COMPLIANCE

CORPORATE GOVERNANCE

Changes in Information of Directors of the REIT Manager

Subsequent to publication of the 2012 Annual Report of Champion REIT, the REIT Manager received notifications regarding the following changes of Directors' information:

Directors	Changes of Information
Dr. Lo Ka Shui <i>Chairman and Non-executive Director of the REIT Manager</i>	<ul style="list-style-type: none">– Appointed as the Chairman and Non-executive Director of LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited and as a member of the Remuneration Committee and the Nomination Committee of Langham Hospitality Investments Limited. Langham Hospitality Investments and Langham Hospitality Investments Limited were listed on the Stock Exchange on 30 May 2013.– Stepped down as Chairman after serving for four years and elected as Vice Chairman of The Chamber of Hong Kong Listed Companies, both with effect from 27 June 2013.
Mr. Cheng Wai Chee, Christopher <i>Non-executive Director of the REIT Manager</i>	<ul style="list-style-type: none">– Retired as a director of DBS Group Holdings Limited on 29 April 2013.– Appointed as a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited with effect from 1 May 2013.
Mr. Ho Shut Kan <i>Non-executive Director of the REIT Manager</i>	<ul style="list-style-type: none">– Re-designated as Co-Managing Director of Kerry Properties Limited on 22 August 2013.
Mr. Ip Yuk Keung, Albert <i>Independent Non-executive Director of the REIT Manager</i>	<ul style="list-style-type: none">– Appointed as the Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of TOM Group Limited with effect from 24 June 2013.– Resigned as a Co-opted Member of the Finance Committee of the Urban Renewal Authority.– Appointed as International Delegate, Alumni Board of Governors at Washington University in St. Louis.

Compliance

During the six months ended 30 June 2013, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and certain code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

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

The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standard set out in the Securities Dealings Code during the six months ended 30 June 2013.

Review of Interim Results

The unaudited interim results of Champion REIT for the six months ended 30 June 2013 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE AND COMPLIANCE

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 six months ended 30 June 2013 ("Period").

Top Domain International Limited, Keen Flow Investments Limited and Bright Form Investments Limited (collectively the "GE Holders"), all being wholly owned subsidiaries of Great Eagle Holdings Limited ("Great Eagle") and each being a significant holder of Champion REIT holding more than 10% of the total issued Units of Champion REIT, are connected persons under the REIT Code. Eagle Asset Management (CP) Limited (which is wholly owned by Great Eagle), in its capacity as the REIT Manager, is also a connected person of Champion REIT. The Great Eagle Connected Persons Group means any person who is regarded as a connected person of Champion REIT by virtue of its relationship (including but not limited to being a director, holding company, subsidiary or associated company) with the GE Holders and the REIT Manager.

Mr. Lo Kai Shui, a director of the REIT Manager, is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK Construction Holdings Limited ("SFK"). Accordingly, SFK is an associate of Mr. Lo Kai Shui and a connected person of Champion REIT under the REIT Code. The SFK Connected Persons Group means SFK and companies within the same group or otherwise "associated" with SFK within the meaning given in the REIT Code.

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	197,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	1,500,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	5,294,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Leasing transaction ⁴	1,748,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	3,637,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	2,633,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	25,000
China Mobile Hong Kong Company Limited	Associate of a Director ⁷	Licence fee ⁸	117,000
Total			15,151,000

CORPORATE GOVERNANCE AND COMPLIANCE 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 Period HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	182,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	781,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Building management fee income ⁴	303,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁵	1,754,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁶	286,000
Total			3,306,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	95,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	705,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	39,265,000 ⁹
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	4,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Marketing expense	18,000
Grow On Development Limited	Subsidiary of Great Eagle ³	Marketing expense	33,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	57,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Repair and maintenance services	10,000
Total			40,187,000

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 Period end date.
2. A security deposit by way of bank guarantee in an aggregate amount of approximately HK\$3,133,000 provided by Langham Hotels International Limited was held by the Trust as at the Period end date.
3. Langham Place Hotel (HK) Limited ("LP Hotel (HK)") and Grow On Development Limited ("Grow On") were indirect wholly owned subsidiaries of Great Eagle. Pursuant to a reorganisation effective on 29 May 2013, LP Hotel (HK) and Grow On became wholly owned subsidiaries of Langham Hospitality Investments Limited ("Langham"). Great Eagle indirectly held approximately 57.69% interests in Langham as at the Period end date. Accordingly, Langham, LP Hotel (HK) and Grow On were indirect subsidiaries of Great Eagle.
4. A security deposit of approximately HK\$1,336,000 provided by LP Hotel (HK) was held by the Trust as at the Period end date.
5. A security deposit by way of a bank guarantee of approximately HK\$2,882,000 provided by Strong Dynamic Limited was held by the Trust as at the Period end date.
6. A security deposit of approximately HK\$1,218,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Period end date.

7. 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.
8. A security deposit of approximately HK\$39,000 provided by China Mobile Hong Kong Company Limited was held by the Trust as at the Period end date.
9. Out of this HK\$39,265,000, approximately HK\$38,079,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and the remaining amount of approximately HK\$1,186,000 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 2013; so as to enable the Mall Estate Manager to make payment of estate management expenses.

Pre-Existing Agreements

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

Pre-Existing Agreements subject to Waiver

The following Pre-Existing Agreements are among the connected parties transactions with the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group 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 Period 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	38,079,000
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	1,186,000

CORPORATE GOVERNANCE AND COMPLIANCE CONNECTED PARTY TRANSACTIONS REPORT

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 Period HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	1,163,000
Office Sub-DMC (sub-deed of mutual covenant) for the Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of the Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense ²	17,099,000
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	37,966,000
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	53,840,000

Notes:

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

Other Connected Party Transactions with the Great Eagle Connected Persons Group

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 of approximately HK\$103,020,000 being the 12% of the net property income of Champion REIT for such services rendered during the Period is to be settled by the issuance of new Units and/or in the form of cash.

The REIT Manager has notified to the Trustee in writing and elected to receive 50% of Manager's Fee in the form of Units and the balance of 50% will be received in cash for the Financial Year 2013. For the six-month financial period ended 30 June 2013, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$51,510,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$51,510,000.

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

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

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

HSBC Group means The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) 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/ Expenses for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	1,517,000
HSBC Group	Trustee Connected Persons	Bank charge	60,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest/expense	69,796,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swap contracts with HSBC during the Period. The total notional amount in respect of such swap contracts with HSBC was US\$400,000,000 as at 30 June 2013.

On 25 June 2013, Trump Treasure Limited (a special purpose vehicle wholly owned and controlled by Champion REIT) concluded the HK\$2,500,000,000 term loan and revolving credit facilities with a syndicate of banks which included, among others, HSBC and Hang Seng Bank Limited (“Hang Seng”). Hang Seng is also the facility agent of this loan facility. The outstanding balance of this syndicated loan was HK\$2,200,000,000 as at 30 June 2013.

CORPORATE GOVERNANCE AND COMPLIANCE CONNECTED PARTY TRANSACTIONS REPORT

Connected Party Transactions – Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	8,277,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income ²	965,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction ²	82,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	14,000
Total			9,338,000

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\$7,000,000,000 which was outstanding as at 30 June 2013; (ii) the term loan and revolving credit facilities of HK\$2,954,000,000 (which was repaid on 28 June 2013); and (iii) the term loan and revolving credit facilities of HK\$2,500,000,000 (of which HK\$2,200,000,000 term loan was drawn down on 28 June 2013 and outstanding as at 30 June 2013). Syndicates of lenders of the facilities include Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited.
2. Security deposits in an aggregate amount of approximately HK\$7,639,000 provided by the HSBC Group were held by the Trust as at the Period end date.

Connected Party Transactions – Corporate Finance Transaction with HSBC Group

On 17 January 2013, as Champion MTN Limited has issued an aggregate principal amount of US\$400,000,000 3.75 per cent. Guaranteed Notes due 2023 under the US\$1,000,000,000 Guaranteed Medium Term Note Programme, a combined management and underwriting commission of US\$1,080,000 was paid to HSBC as one of the dealers.

On 4 July 2013, CP Wealth Limited (a special purpose vehicle wholly owned and controlled by Champion REIT) concluded the HK\$1,900,000,000 term loan facilities with HSBC to finance the acquisition of a portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower.

Connected Party Transactions – Others

During the Period, the trustee fee of approximately HK\$5,156,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

Connected Party Transactions with Other Connected Persons

During the Period, an amount of HK\$139,000 was paid to Savills Valuation and Professional Services Limited as the valuation fee in its capacity as the principal valuer of Champion REIT.

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

CORPORATE GOVERNANCE AND COMPLIANCE

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, the following persons had interests or 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 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	3,321,786,958 ¹	–	3,321,786,958 ¹	58.29
Cheng Wai Chee, Christopher	13,424,730 ²	–	13,424,730 ²	0.24
Lee Ching Ming, Adrian	273,250 ³	–	273,250 ³	0.00
REIT Manager				
Eagle Asset Management (CP) Limited	261,872,593 ¹	–	261,872,593 ¹	4.60
Substantial Unitholders				
Great Eagle Holdings Limited	3,313,686,958 ¹	–	3,313,686,958 ¹	58.15
HSBC International Trustee Limited	3,298,422,557 ¹	–	3,298,422,557 ¹	57.88
Top Domain International Limited	1,420,416,628 ¹	–	1,420,416,628 ¹	24.92
Keen Flow Investments Limited	913,580,933 ¹	–	913,580,933 ¹	16.03
Bright Form Investments Limited	680,232,558 ¹	–	680,232,558 ¹	11.94

Notes:

- Among these 3,321,786,958 Units, 1,660,000 Units were held by Dr. Lo Ka Shui directly, 240,000 Units were held by Elizabeth B K Limited which is a company wholly-owned by Dr. Lo Ka Shui, 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 3,313,686,958 Units were indirectly held by Great Eagle Holdings Limited ("Great Eagle") as explained below. Dr. Lo Ka Shui is a substantial shareholder of Great Eagle holding 20.68% voting right in its share capital.

The 3,313,686,958 Units were indirectly held by Great Eagle through its controlled corporations:

- 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 held by Bright Form Investments Limited directly;
- 261,872,593 Units held by Eagle Asset Management (CP) Limited directly;
- 14,578,503 Units held by Fine Noble Limited directly; and
- 23,005,743 Units held by Great Eagle Nichemusic Limited directly.

Compared with the position as at 31 December 2012, save for the number of Units held by Eagle Asset Management (CP) Limited increased by 15,139,755 Units and the number of Units held by Great Eagle Nichemusic Limited increased by 16,953,000 Units, the unitholdings of the remaining 4 companies as listed in items (a), (b), (c) and (e) above remained unchanged.

The 3,298,422,557 Units held by HSBC International Trustee Limited ("HITL") disclosed in the above table was based on the information contained in the latest Disclosure of Interest Form dated 14 June 2013 received from HITL.

CORPORATE GOVERNANCE AND COMPLIANCE DISCLOSURE OF INTERESTS

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 33.12% interests in Great Eagle as at 30 June 2013. 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 20.68% voting rights in the capital of Great Eagle.

2. These Units were held by a trust of which Mr. Cheng Wai Chee, Christopher is a beneficiary.
3. The number of Units held by Mr. Lee Ching Ming, Adrian remained unchanged as compared with the position as at 31 December 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 5,698,895,187 as at 30 June 2013.

Save as disclosed above, there was no change in the number of Units and underlying Units held by the Directors and Chief Executive of the REIT Manager, the REIT Manager and Substantial Unitholders of Champion REIT during the period from 1 January 2013 to 30 June 2013. Besides, as at 30 June 2013, 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 Executive 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 30 June 2013, 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	2.88
HSBC Group	2,537,483 ²	–	2,537,483 ²	0.04
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 31 December 2012.
2. The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries, unless otherwise expressly stated herein) ("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 2,467,483 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 increased by 1,867,375 Units as compared with the position as at 31 December 2012.

As at 31 December 2012, HSBC Group was deemed to be interested in 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. As the convertible bonds matured on 3 June 2013, the number of underlying Units became zero as at 30 June 2013.

3. Savills Valuation and 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 an associated director. The said unitholdings remained unchanged as compared with the position as at 31 December 2012.
4. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,698,895,187 as at 30 June 2013.

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 January 2013 to 30 June 2013.

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

Great Eagle Holdings Limited ("Great Eagle") is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham"). As at 30 June 2013, Great Eagle owned 58.15% interests in Champion REIT and 57.69% in Langham. While the definition of "associated corporation" 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 and Langham as at 30 June 2013 are disclosed as follows:

GREAT EAGLE

Dr. Lo Ka Shui had a personal interest in 51,565,910 shares, 4,294,000 underlying shares and 1,258,000 share options and a corporate interest in 3,658,806 shares of Great Eagle as at 30 June 2013. He is the founder of a discretionary trust which owned 76,974,153 shares of Great Eagle and is also an eligible beneficiary of another discretionary trust which owned 211,695,169 shares in Great Eagle as at 30 June 2013.

Mr. Lo Kai Shui had a personal interest in 202,973 shares and 525,000 share options and a corporate interest in 639,146 shares of Great Eagle as at 30 June 2013. He is also an eligible beneficiary of another discretionary trust which owned 211,695,169 shares in Great Eagle as at 30 June 2013.

Mr. Lee Ching Ming, Adrian had a personal interest in 67,110 shares and 306,000 share options of Great Eagle as at 30 June 2013.

LANGHAM

Dr. Lo Ka Shui had a corporate interest in 1,153,791,000 Share Stapled Units of Langham as at 30 June 2013.

Mr. Lee Ching Ming, Adrian had a personal interest in 10,000 Share Stapled Units of Langham as at 30 June 2013.

CORPORATE GOVERNANCE AND COMPLIANCE

OTHER INFORMATION

New Units Issued

As at 30 June 2013, the total number of issued Units of Champion REIT was 5,698,895,187. As compared with the position of 31 December 2012, a total of 27,534,784 new Units were issued during the period.

Date	Particulars	No. of Units
1 Jan 2013	Number of issued Units	5,671,360,403
8 Mar 2013	Issue of new Units to the REIT Manager at the price of HK\$3.974 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\$60,165,000 payable by Champion REIT for the six months ended 31 December 2012.	15,139,755
5 Jun 2013	Issue of new Units at the conversion price of HK\$4.047 per Unit pursuant to the conversion of the 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008.	5,209
7 Jun 2013	Issue of new Units at the conversion price of HK\$3.957 per Unit pursuant to the conversion of the 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008.	23,137
11 Jun 2013	Issue of new Units at the conversion price of HK\$3.89 per Unit pursuant to the conversion of the 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008.	4,743,103
17 Jun 2013	Issue of new Units at the conversion price of HK\$3.805 per Unit pursuant to the conversion of the 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008.	7,623,580
30 Jun 2013	Number of issued Units	5,698,895,187

Real Estate Sale and Purchase

On 16 May 2013, Champion REIT (through Shine Hill Development Limited, a company indirectly wholly-owned and controlled by the Trustee) accepted an offer to acquire a portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower (the "Property") from The Financial Secretary Incorporated for the consideration of HK\$2,155,302,000. The acquisition of the Property was completed on 11 July 2013. Announcements on the details of the transactions have been made by the Trust on 16 May 2013 and 11 July 2013 respectively.

Managers and Employees

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself. The properties of the Trust are managed by various operating entities, including the REIT Manager, the Property Manager, and the DMC/Estate Managers etc. The following table summarizes the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 30 June 2013:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	–	–	13
Leasing	5	12	–
Marketing and promotion	1	9	–
Property management	74	147	–
Contractors/technical staff	139	341	–
Total	219	509	13

Purchase, Sale or Redemption of Champion REIT's Securities

A general mandate for repurchase of Units in the open market was given by Unitholders at the annual general meeting held on 2 May 2013. During the six months ended 30 June 2013, neither the REIT 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 "Bonds"), received conversion notices to convert the Bonds in an aggregate principal amount of HK\$322,940,000 in May 2013 and settled the conversion by (a) paying the total principal amount of HK\$322,940,000 in cash and (b) issuing a total of 12,395,029 conversion units in June 2013. The remaining Bonds in the principal amount of HK\$1,941,650,000 due for redemption were fully redeemed at 123.94% by an aggregate redemption amount of HK\$2,406,481,010 on the maturity date on 3 June 2013. The redeemed outstanding Bonds were cancelled.

Save as disclosed above, there was no purchase, sale or redemption of Champion REIT's securities by the REIT Manager or the special purpose vehicles of the Trust during the six months ended 30 June 2013.

Public Float

As far as the REIT Manager is aware, as at the date of this report, the Trust has maintained a sufficient public float with more than 25% of the issued and outstanding Units of Champion REIT being held by the public.



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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

Introduction

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its controlled entities (collectively referred to as the "Group") set out on pages 28 to 54, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Manager of Champion REIT is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 August 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2013

	Notes	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Rental income	5	951,867	915,219
Building management fee income		94,932	85,931
Rental related income		11,864	9,633
Total revenue		1,058,663	1,010,783
Property operating expenses	6	(200,165)	(180,614)
Net property income		858,498	830,169
Interest income		10,456	5,090
Manager's fee	7	(103,020)	(99,620)
Trust and other expenses		(9,656)	(7,210)
Increase in fair value of investment properties	14	698,166	938,451
Change in fair value of derivative components of convertible bonds	21	308,236	(56,689)
Gain on settlement of convertible bonds	21	29,302	–
Finance costs	8	(192,703)	(234,641)
Profit before tax and distribution to unitholders	9	1,599,279	1,375,550
Income taxes	10	(29,684)	(108,873)
Profit for the period, before distribution to unitholders		1,569,595	1,266,677
Distribution to unitholders		(570,200)	(577,384)
Profit for the period, after distribution to unitholders		999,395	689,293
Basic earnings per unit	13	HK\$0.28	HK\$0.25
Diluted earnings per unit	13	HK\$0.21	HK\$0.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2013

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period, after distribution to unitholders	999,395	689,293
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Fair value adjustment on cross currency swaps designated as cash flow hedge	(12,184)	–
Reclassification of fair value adjustments to profit or loss	(5,375)	–
	(17,559)	–
Total comprehensive income for the period	981,836	689,293

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Non-current assets			
Investment properties	14	59,016,000	58,297,000
Deposit and direct cost for acquisition of investment properties	15	307,130	–
Total non-current assets		59,323,130	58,297,000
Current assets			
Trade and other receivables	16	154,135	196,247
Tax recoverable		–	1,257
Bank balances and cash	17	1,250,071	1,397,082
Total current assets		1,404,206	1,594,586
Total assets		60,727,336	59,891,586
Current liabilities			
Trade and other payables	18	1,210,569	1,167,146
Deposits received		458,726	426,356
Tax liabilities		93,436	120,828
Distribution payable		570,200	608,833
Secured term loans	19	6,984,335	2,452,646
Convertible bonds	21	–	3,051,344
Total current liabilities		9,317,266	7,827,153
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loans	19	2,678,534	7,472,192
Medium term note	20	3,064,831	–
Derivative financial instruments	22	12,184	–
Deferred tax liabilities	23	312,749	340,041
Total non-current liabilities, excluding net assets attributable to unitholders		6,068,298	7,812,233
Total liabilities, excluding net assets attributable to unitholders		15,385,564	15,639,386
Net assets attributable to unitholders		45,341,772	44,252,200
Number of units in issue ('000)			
	24	5,698,895	5,671,360
Net asset value per unit			
	25	HK\$7.96	HK\$7.80

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For The Six Months Ended 30 June 2013

	Issued units HK\$'000 (unaudited)	Hedging reserve HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Profit less distribution HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Net assets attributable to unitholders as at 1 January 2012	21,142,221	–	5,757,943	11,855,403	38,755,567
Profit for the period, after distribution to unitholders	–	–	–	689,293	689,293
Total comprehensive income for the period	–	–	–	689,293	689,293
Issue of units	57,413	–	–	–	57,413
Net assets attributable to unitholders as at 30 June 2012	21,199,634	–	5,757,943	12,544,696	39,502,273
Net assets attributable to unitholders as at 1 January 2013	23,665,120	–	5,757,943	14,829,137	44,252,200
Profit for the period, after distribution to unitholders	–	–	–	999,395	999,395
Cash flow hedges	–	(17,559)	–	–	(17,559)
Total comprehensive income for the period	–	(17,559)	–	999,395	981,836
Issue of units (note 24)	107,736	–	–	–	107,736
Net assets attributable to unitholders as at 30 June 2013	23,772,856	(17,559)	5,757,943	15,828,532	45,341,772

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2013

	Notes	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Profit before tax and distribution to unitholders		1,599,279	1,375,550
Adjustments for:			
Increase in fair value of investment properties		(698,166)	(938,451)
Change in fair value of derivative components of convertible bonds		(308,236)	56,689
Gain on settlement of convertible bonds		(29,302)	–
Manager's fee payable in units		51,510	59,772
Interest income		(10,456)	(5,090)
Exchange difference		195	–
Finance costs		192,703	234,641
Operating cash flow before movements in working capital		797,527	783,111
Decrease in trade and other receivables		42,031	4,089
Increase (decrease) in trade and other payables		2,804	(23,300)
Increase in deposits received		32,370	9,253
Cash generated from operations		874,732	773,153
Interest paid		(71,762)	(78,379)
Hong Kong Profits Tax paid		(83,111)	(25,780)
Net cash from operating activities		719,859	668,994
INVESTING ACTIVITIES			
Interest received		10,537	5,254
Additions to investment properties		(20,834)	(4,249)
Stamp duty paid for the acquisition of investment properties		(91,600)	–
Deposit paid for the acquisition of investment properties		(215,530)	–
Net cash (used in) from investing activities		(317,427)	1,005
FINANCING ACTIVITIES			
Bank origination fees		(18,750)	–
Redemption of convertible bonds	21	(2,406,481)	–
New bank loan raised		2,200,000	–
Repayment of a bank loan		(2,454,000)	–
Settlement upon conversion of convertible bonds	21	(322,940)	–
Proceeds from issuance of medium term note		3,100,982	–
Transaction costs for the issuance of medium term notes		(39,230)	–
Distribution paid		(609,024)	(592,317)
Net cash used in financing activities		(549,443)	(592,317)
Net (decrease) increase in cash and cash equivalents		(147,011)	77,682
Cash and cash equivalents at beginning of the period		1,397,082	1,292,752
Cash and cash equivalents at end of the period, represented by bank balances and cash		1,250,071	1,370,434

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2013

1. General

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

The principal activity of Champion REIT and its controlled entities (the “Group”) is to own and invest in income-producing commercial properties in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

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

2. Principal Accounting Policies

Basis of preparation

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

Principal accounting policies

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period.

2. Principal Accounting Policies (Continued)

HKFRS 13 “Fair Value Measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about the fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 3. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the Group’s condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 for the first time in the current interim period. The amendments to HKAS 1 introduce a new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The Manager has decided to retain the use of the previous terminology in the Group’s condensed consolidated financial statements. However, the amendment to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that the items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

3. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) to 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); and
- 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).

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2013 HK\$'000	31 December 2012 HK\$'000		
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position.	12,184	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and 2 during the period.

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

4. Segment Information

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

Segment revenue and results

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

For the six months ended 30 June 2013

	Citibank Plaza HK\$'000 (unaudited)	Langham Place HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	600,412	458,251	1,058,663
Segment results – Net property income	497,964	360,534	858,498
Interest income			10,456
Manager's fee			(103,020)
Trust and other expenses			(9,656)
Increase in fair value of investment properties			698,166
Change in fair value of derivative components of convertible bonds			308,236
Gain on settlement of convertible bonds			29,302
Finance costs			(192,703)
Profit before tax and distribution to unitholders			1,599,279
Income taxes			(29,684)
Profit for the period, before distribution to unitholders			1,569,595
Distribution to unitholders			(570,200)
Profit for the period, after distribution to unitholders			999,395
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager's fee	(59,756)	(43,264)	(103,020)
(Decrease) increase in fair value of investment properties	(118,834)	817,000	698,166

4. Segment Information (Continued)

Segment revenue and results (continued)

For the six months ended 30 June 2012

	Citibank Plaza HK\$'000 (unaudited)	Langham Place HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	596,808	413,975	1,010,783
Segment results – Net property income	499,418	330,751	830,169
Interest income			5,090
Manager's fee			(99,620)
Trust and other expenses			(7,210)
Increase in fair value of investment properties			938,451
Change in fair value of derivative components of convertible bonds			(56,689)
Finance costs			(234,641)
Profit before tax and distribution to unitholders			1,375,550
Income taxes			(108,873)
Profit for the period, before distribution to unitholders			1,266,677
Distribution to unitholders			(577,384)
Profit for the period, after distribution to unitholders			689,293
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager's fee	(59,930)	(39,690)	(99,620)
(Decrease) increase in fair value of investment properties	(187,049)	1,125,500	938,451

Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2013, the fair values of Citibank Plaza and Langham Place were HK\$36,435,000,000 (31.12.2012: HK\$36,533,000,000) and HK\$22,581,000,000 (31.12.2012: HK\$21,764,000,000) respectively.

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

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 for the six months ended 30 June 2013 amounting to HK\$112,070,000 and HK\$105,718,000 (2012: HK\$118,242,000 and HK\$104,978,000) respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2013

5. Rental Income

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Rental income	934,903	899,905
Car park income	16,964	15,314
	951,867	915,219

6. Property Operating Expenses

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Building management expenses	109,984	95,515
Car park operating expenses	4,705	3,952
Government rent and rates	33,815	33,408
Legal cost and stamp duty	1,442	1,205
Promotion expenses	5,648	4,844
Property and lease management service fee	29,195	27,532
Property miscellaneous expenses	947	968
Rental commission	13,040	10,896
Repairs and maintenance	1,389	2,294
	200,165	180,614

7. Manager's Fee

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2013 and 2012, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2013 and 2012 as remuneration.

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Manager's fee:		
In the form of units	51,510	59,772
In the form of cash	51,510	39,848
	103,020	99,620

Pursuant to election allowed by the Trust Deed on 30 November 2012, the Manager has elected 50% of the Manager's fee for the six months ended 30 June 2013 (six months ended 30 June 2012: 60%) arising from the properties currently owned by Champion REIT to 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 50% (six months ended 30 June 2012: 40%) will be received in cash.

8. Finance Costs

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	66,711	65,350
Interest expense on convertible bonds wholly repayable within five years	71,136	168,375
Interest expense on medium term note not wholly repayable within five years	54,097	–
Other borrowing costs	759	916
	192,703	234,641

9. Profit Before Tax and Distribution to Unitholders

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging/(crediting):		
Auditor's remuneration	896	1,029
Trustee's fee	5,156	4,889
Principal valuer's fee	89	80
Other professional fee and charges	2,907	859
Roadshow and public relations expenses	14	32
Bank charges	99	66
Exchange difference	(195)	–

10. Income Taxes

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	47,309	67,747
– Underprovision in prior years	9,667	–
	56,976	67,747
Deferred tax (note 23)		
– Current year	(17,884)	41,126
– Overprovision in prior years	(9,408)	–
	(27,292)	41,126
	29,684	108,873

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

During the six months ended 30 June 2013, the Group revised the depreciation allowances claim of certain investment properties and resulted in an underprovision of current tax in prior years of HK\$9,667,000 and overprovision of deferred tax in prior years of HK\$9,408,000.

11. Total Distributable Income

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

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	1,569,595	1,266,677
Adjustments:		
Manager's fees payable in units	51,510	59,772
Increase in fair value of investment properties	(698,166)	(938,451)
Change in fair value of derivative components of convertible bonds	(308,236)	56,689
Non-cash gain	(29,302)	–
Non-cash finance costs	75,446	155,725
Deferred tax	(27,292)	41,126
Total distributable income	633,555	641,538

12. Distribution Statement

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Total distributable income (note 11)	633,555	641,538
Percentage of distributable income for distribution (note (i))	90%	90%
Distributable income for Interim Distribution Period	570,200	577,384
Additional amount	–	–
Total distribution amount to be paid	570,200	577,384
Distribution per unit to unitholders (note (ii))	HK\$0.1001	HK\$0.1018

Notes:

- (i) It is the policy of the Manager to distribute 90% (1.1.2012 to 30.6.2012: 90%) of available distributable income as the distributions for the six months ended 30 June 2013 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1001 for the six months ended 30 June 2013 is calculated based on the interim distribution to be paid of HK\$570,200,000 for the period and 5,698,895,187 units in issue as at 30 June 2013. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 23 September 2013, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 9 October 2013.

The interim distribution per unit of HK\$0.1018 for the six months ended 30 June 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 interim distribution was paid to unitholders on 9 October 2012.

13. Basic and Diluted Earnings Per Unit

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

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
EARNINGS		
Profit for the period, before distribution to unitholders		
for the purpose of basic earnings per unit	1,569,595	1,266,677
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	71,136	–
Change in fair value of derivative components of convertible bonds	(308,236)	–
Gain on settlement of convertible bonds	(29,302)	–
Profit for the period, before distribution to unitholders for the purpose		
of diluted earnings per unit	1,303,193	1,266,677

	2013 (unaudited)	2012 (unaudited)
NUMBER OF UNITS		
Weighted average number of units for the purpose of basic earnings		
per unit	5,685,684,707	4,971,945,796
Effect of dilutive potential units:		
Convertible bonds	669,378,995	–
Weighted average number of units for the purpose of diluted earnings		
per unit	6,355,063,702	4,971,945,796

For the six months ended 30 June 2012, the computation of diluted earnings per unit did not assume the units to be issued in respect of the conversion of outstanding convertible bonds since such conversion would result in an increase in earnings per unit.

14. Investment Properties

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	58,297,000	54,857,300
Additions during the period/year	20,834	4,249
Increase in fair value during the period/year	698,166	3,435,451
At the end of the period/year	59,016,000	58,297,000

The fair value of the Group's investment properties at 30 June 2013 and 31 December 2012 has been arrived at on the basis of valuation carried out by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected to the Group. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. The capitalisation rates for the retail and office accommodation range from 4.0% to 4.25% (31.12.2012: 4.0% to 4.25%) and 3.3% to 4.0% (31.12.2012: 3.3% to 4.0%), respectively. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

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

As at 30 June 2013, investment properties with total fair value of HK\$39,303,000,000 (31.12.2012: HK\$53,771,000,000) have been mortgaged as security for credit facilities and convertible bonds, which was discharged during the period, as detailed in notes 19 and 21, respectively.

15. Deposit and Direct Cost for Acquisition of Investment Properties

Deposit and direct cost for acquisition of investment properties represent the deposit of HK\$215,530,000 in respect of the acquisition of a portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower (the "Acquisition"), being 10% of the consideration of HK\$2,155,302,000, and the partial payment of the stamp duty of HK\$91,600,000 for the Acquisition.

16. Trade and Other Receivables

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Trade receivables	11,538	21,873
Deferred rent receivables	91,774	106,105
Deposits, prepayments and other receivables	50,823	68,269
	154,135	196,247

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

Aging analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
0 – 3 months	11,538	21,873

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$11,538,000 (31.12.2012: HK\$21,873,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

17. Bank Balances and Cash

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Cash on hand	2	2
Cash at bank	317,684	801,948
Time deposits	932,385	595,132
	1,250,071	1,397,082

Bank balances carry interest at market rate of 0.001% to 0.31% per annum (31.12.2012: 0.001% to 0.51% per annum). Time deposits with a maturity of less than three months carry interest at market rates which range from 0.35% to 1.50% per annum (31.12.2012: 0.57% to 0.70% per annum).

18. Trade and other Payables

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Trade payables	47,877	51,517
Rental received in advance	13,654	11,553
Other payables	185,563	140,601
Accrued stamp duty	963,475	963,475
	1,210,569	1,167,146

The accrual of stamp duty is based on the current applicable stamp duty rate of 4.25% (31.12.2012: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing.

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

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
0 – 3 months	47,877	51,517

19. Secured Term Loans

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Secured term loans	9,700,000	9,954,000
Loan front-end fees	(37,131)	(29,162)
	9,662,869	9,924,838

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
The maturity of the secured term loans is as follows:		
Within one year	6,984,335	2,452,646
More than one year but not exceeding two years	–	6,975,585
More than two years but not exceeding five years	2,678,534	496,607
	9,662,869	9,924,838
Less: amount due within one year shown under current liabilities	(6,984,335)	(2,452,646)
Amount due after one year	2,678,534	7,472,192

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 facility bears interest at a floating interest rate of 1-month HIBOR plus 0.59% per annum and was refinanced by the Group in June 2013 with a term loan and revolving credit facilities of HK\$2,500,000,000. The total facility drawn down by the Group as at 30 June 2013 was HK\$2,200,000,000. The facility bears interest at a floating rate of 1-month HIBOR plus 1.35% per annum and is repayable in full on 28 June 2016.

As security for the facility granted to the Group, investment properties with a fair value of HK\$7,366,000,000 as at 30 June 2013 (31.12.2012: HK\$21,764,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

- (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 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\$30,596,000,000 as at 30 June 2013 (31.12.2012: HK\$30,658,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

19. Secured Term Loans (Continued)

(iii) On 18 September 2012, the Group arranged a bilateral term loan of HK\$500,000,000. The facility bears interest at floating 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\$1,341,000,000 as at 30 June 2013 (31.12.2012: HK\$1,349,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the bank.

20. Medium Term Note

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Medium term note	3,102,600	–
Origination fees	(37,769)	–
	3,064,831	–

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 period, US\$400,000,000 was issued. The issued medium term note bears interest at a fixed rate of 3.75% per annum and is repayable in full on 17 January 2023. The foreign currency denominated principal and interest payments are hedged by the use of cross currency swaps.

21. Convertible Bonds

On 3 June 2008, Fair Vantage Limited (“Bonds Issuer”), an entity directly wholly-owned and controlled by Champion REIT, issued HK\$4,680,000,000 1% guaranteed convertible bonds due June 2013 (“Bonds”). As security for the Bonds, certain investment properties with a fair value of HK\$21,764,000,000 as at 31 December 2012 together with the assignment of insurance proceeds were granted and mortgaged in favour of the bond holders by the Bonds Issuer.

The principal terms of the Bonds include the following:

Conversion

The holders of the 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\$3.34 per unit which came into effect since 21 May 2013 as a result of Excess Distribution (as defined in terms and conditions of the Bonds) adjustment.

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

21. Convertible Bonds (Continued)

Redemption

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

The 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 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 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 Bonds Maturity Date.

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

In August 2012, the Bonds Issuer invited the bondholders of the 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 Bonds so converted. Pursuant to the invitation made, the bondholders converted HK\$2,340,400,000 aggregate principal amount of the Bonds ("Converted Bonds"). The applications received were inclusive of an aggregate principal amount held by Great Eagle Holdings Limited, 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 the 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 for the year ended 31 December 2012.

As at 31 December 2012, the principal amount of the Bonds was HK\$2,264,590,000.

During the six months period ended 30 June 2013, an aggregate principal amount of HK\$322,940,000 of the Bonds were converted. The Bonds Issuer settled the conversions by (a) cash payment of HK\$322,940,000 and (b) the issuance of 12,395,029 units of Champion REIT and resulted in a gain of HK\$29,302,000 which was recognised in the profit or loss. On the Bonds Maturity Date, the Bonds Issuer redeemed the then outstanding principal of HK\$1,941,650,000 at the redemption price of 123.94% by an aggregate amount of HK\$2,406,481,000. After 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.

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

21. 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 that are supported by observable market data as follows:

	At 31 December 2012
Unit price	HK\$3.71
Risk-free rate of interest	0.05%
Dividend yield	5.53%
Historical volatility (with similar time to maturity)	42%

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

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
LIABILITY COMPONENT		
At the beginning of the period/year	2,742,781	5,282,045
Interest charged	71,136	272,705
Interest paid	(7,950)	(32,527)
Conversion during the period/year	(399,486)	(2,779,442)
Redemption during the period/year	(2,406,481)	-
At the end of the period/year	-	2,742,781
DERIVATIVE COMPONENTS		
At the beginning of the period/year	308,563	350,677
Change in fair value	(308,236)	192,663
Conversion during the period/year	(327)	(234,777)
At the end of the period/year	-	308,563
Total convertible bonds	-	3,051,344

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
The maturity of the above convertible bonds is as follows:		
Within one year	-	3,051,344

22. Derivative Financial Instruments

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Cash flow hedge – cross currency swaps	12,184	–

The Group entered cross currency swaps with The Hongkong and Shanghai Banking Corporation Limited, a connected person as defined in the Code, to minimise the exposure to fluctuations in foreign currency and interest rate of the medium term note, which is denominated in United States dollars, in respect of the principal and fixed rate interest payments.

The cross currency swaps and the corresponding medium term note have similar terms and the Manager considered that the cross currency swaps were highly effective hedging instruments.

Major terms of the cross currency swaps are set out below:

Notional amount	Maturity	Exchange rate	Interest rate	Interest period	Total hedged item
US\$200,000,000	17 January 2023	HK\$7.7598: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$100,000,000	17 January 2023	HK\$7.76: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$50,000,000	17 January 2023	HK\$7.7613: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$50,000,000	17 January 2023	HK\$7.7541: US\$1	3.75%	Quarterly	Medium term note principal and coupon payments

The fair value of the above derivatives is based on the valuation provided by the counterparty financial institution and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

During the six months ended 30 June 2013, the loss on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$12,184,000 has been recognised in other comprehensive income of which the fair value adjustment of the hedging instruments amounting to HK\$5,375,000 were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon payment.

23. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At the beginning of the period	350,282	(10,241)	340,041
Charge to condensed consolidated income statement during the period			
– Current year	36,844	(54,728)	(17,884)
– Underprovision in prior years	(9,408)	–	(9,408)
	27,436	(54,728)	(27,292)
At the end of the period	377,718	(64,969)	312,749

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

As at 30 June 2013, the Group has unutilised tax losses of HK\$917,546,000 (31.12.2012: HK\$1,017,388,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$393,752,000 (31.12.2012: HK\$62,070,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$523,794,000 (31.12.2012: HK\$955,318,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

24. Number of Units in issue

	Number of units	HK\$'000 (unaudited)
At 1 January 2013	5,671,360,403	23,665,120
Units issued for settlement of Manager's fee	15,139,755	60,165
Units issued upon the conversion of convertible bonds (note 21)	12,395,029	47,571
At 30 June 2013	5,698,895,187	23,772,856

On 8 March 2013, 15,139,755 units at HK\$3.9740 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2012 to 31 December 2012.

During the six months period ended 30 June 2013, 12,395,029 units were issued upon the conversion of the Bonds as described in note 21.

25. Net Asset Value per Unit

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2013 of HK\$45,341,772,000 (31.12.2012: HK\$44,252,200,000) by the number of units in issue of 5,698,895,187 (31.12.2012: 5,671,360,403 units) as at 30 June 2013.

26. Net Current Liabilities

At 30 June 2013, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$7,913,060,000 (31.12.2012: HK\$6,232,567,000).

27. Total Assets less Current Liabilities

At 30 June 2013, the Group's total assets less current liabilities amounted to HK\$51,410,070,000 (31.12.2012: HK\$52,064,433,000).

28. Major Non-Cash Transaction

During the six months ended 30 June 2013, 15,139,755 units (1.1.2012 to 30.6.2012: 16,685,008 units) were issued as payment for the Manager's fee for the period from 1 July 2012 to 31 December 2012, amounting to HK\$60,165,000 (1.1.2012 to 30.6.2012: HK\$57,413,000).

29. Operating Lease Commitments

As at 30 June 2013, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Within one year	1,824,092	1,689,785
In the second to fifth year inclusive	2,603,498	2,486,366
Over five years	23,965	55,310
	4,451,555	4,231,461

The properties held had committed leases usually running for two to six years and rentals were predetermined at fixed amounts except for certain leases of which contingent rentals were charged based on the percentage of sales of the tenants. Contingent rental income of HK\$45,426,000 (1.1.2012 to 30.6.2012: HK\$44,577,000) was received for the period.

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

30. Connected and Related Party Transactions

During the period, in addition to those disclosed in notes 21 and 22, the Group entered into the following transactions with connected and related parties:

	Notes	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<i>Rental income</i>			
China Mobile Hong Kong Company Limited	(a)	117	117
Langham Hotels International Limited	(b)	5,294	5,294
Langham Place Hotel (HK) Limited	(b)	1,748	1,641
Strong Dynamic Limited	(b)	3,637	3,300
The Great Eagle Properties Management Company, Limited	(b)	2,658	2,244
Eagle Asset Management (CP) Limited	(b)	197	197
Eagle Property Management (CP) Limited	(b)	1,500	1,500
HSBC Group ¹	(c)	8,359	22,221
<i>Interest income</i>			
HSBC Group ¹	(c)	1,517	2,681
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	1,754	1,594
The Great Eagle Properties Management Company, Limited	(b)	286	223
Langham Hotels International Limited	(b)	781	699
Langham Place Hotel (HK) Limited	(b)	303	271
Eagle Property Management (CP) Limited	(b)	182	163
HSBC Group ¹	(c)	979	2,162
<i>Building management fee</i>			
The Great Eagle Properties Management Company, Limited	(b)	94,268	81,441
Longworth Management Limited	(b)	17,099	15,311
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	29,195	27,532
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(b)	8,771	6,812
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	530	950
Toptech Co. Limited	(b)	–	257
Keysen Engineering Company, Limited	(b)	76	151
The Great Eagle Properties Management Company, Limited	(b)	4	2
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	705	3,058
Toptech Co. Limited	(b)	–	836
Keysen Engineering Company, Limited	(b)	95	369
The Great Eagle Properties Management Company, Limited	(b)	4	2
Sun Fook Kong Housing Services Limited	(e)	10	8

30. Connected and Related Party Transactions (Continued)

	Notes	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	18	19
Clever Gain Investment Limited	(b)	57	24
Grow On Development Limited	(b)	33	–
<i>Trustee's fee and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	5,156	4,889
HSBC Group ¹	(c)	60	36
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(b) & (f)	103,020	99,620
<i>Finance costs</i>			
Hang Seng Bank Limited ²	(c)	61,202	55,341
Bright Form Investments Limited ⁴	(b)	–	84,263
<i>Valuation fee</i>			
Savills Valuation and Professional Services Limited	(d)	139	80

Balances with connected and related parties are as follows:

	Notes	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (g)	25,942	46,775
Longworth Management Limited	(b) & (g)	15,311	15,311
Toptech Co. Limited	(b) & (g)	801	801
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	19,267	13,499
Eagle Asset Management (CP) Limited	(b) & (g)	103,020	100,276
The Great Eagle Engineering Company Limited	(b) & (g)	631	1,718
The Great Eagle Properties Management Company, Limited	(b) & (g)	12,898	13,296
Keysen Engineering Company, Limited	(b) & (g)	80	331
The Great Eagle Company, Limited	(b) & (g)	1	1
Langham Place Hotel (HK) Limited	(b) & (g)	2	–
<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)	1,218	1,040
Strong Dynamic Limited	(b) & (i)	–	–
Langham Hotel International Limited	(b) & (j)	–	–
Langham Place Hotel (HK) Limited	(b) & (k)	1,336	15
HSBC Group ¹	(c)	7,639	8,846

30. Connected and Related Party Transactions (Continued)

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 subsidiaries directly or indirectly held by 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. An amount of HK\$50,000 out of HK\$139,000 relates to the valuation fee in respect of the Acquisition and will be capitalised as a direct cost to the Acquisition.
 - (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 2013 and 30 June 2012.
 - (g) The amounts due from and due to related parties are unsecured, interest-free and have no fixed repayment terms.
 - (h) A bank guarantee of HK\$859,000 (31.12.2012: HK\$859,000) was received in lieu of deposit.
 - (i) A bank guarantee of HK\$2,882,000 (31.12.2012: HK\$2,585,000) was received in lieu of deposit.
 - (j) A bank guarantee of HK\$3,133,000 (31.12.2012: HK\$3,127,000) was received in lieu of deposit.
 - (k) As at 31 December 2012, in addition to HK\$15,000 received as damage deposit, a bank guarantee of HK\$1,154,000 was received in lieu of deposit.
- 1 HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.
 - 2 Hang Seng Bank Limited is the facility agent under both the term loan facility of HK\$7,000 million and term loan and revolving credit facilities of HK\$2,954 million. On 28 June 2013, the term loan and revolving credit facilities of HK\$2,954 million was refinanced with a term loan and revolving credit facilities of HK\$2,500 million with an upfront fee of HK\$18,750,000. As at 30 June 2013, total loan outstanding under these two facilities was HK\$9,200 million.
 - 3 As defined in the Code.
 - 4 The finance costs represent effective interest for the aggregate principal amount of HK\$2,340,000,000 of the Bonds held by Bright Form Investments Limited up to 20 August 2012.

31. Commitments

As at 30 June 2013, the Group had capital commitment contracted for but not provided in the condensed consolidated financial statements as follows:

- (a) HK\$58,809,000 (31.12.2012: HK\$56,328,000) in respect of the addition of investment properties; and
- (b) HK\$1,939,772,000, being the balance of the consideration of HK\$2,155,302,000 and stamp duty of HK\$91,600,000 in respect of the Acquisition.

Save as aforementioned, the Group did not have any other significant commitments at the end of the reporting period.

32. Events after the end of the Reporting Period

The Acquisition as mentioned in notes 15 and 31 was completed on 11 July 2013. A new term loan facility of HK\$1,900,000,000 was drawn down on 8 July 2013 to finance the Acquisition. The facility bears interest at floating interest rate HIBOR plus 1.48% per annum and is repayable on 8 July 2018.

Following completion, Champion REIT currently owns 100% of the rentable area of Citibank Plaza.

INVESTMENT PROPERTIES PORTFOLIO

As At 30 June 2013

Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Citibank Plaza	3 Garden Road, Central, Hong Kong	1992	1,559,000	1,213,000	88.4%	36,435.0
Langham Place	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	1,293,000	1,022,000	99.1%	22,581.0

PERFORMANCE TABLE

	2013 (unaudited)	2012 (unaudited)	2011 (unaudited)	2010 (unaudited)	2009 (unaudited)
As at 30 June:					
Net asset value (HK\$'000)	45,341,772	39,502,273	36,677,252	29,150,470	27,110,663
Net asset value per unit (HK\$)	7.96	7.94	7.42	5.91	5.85
The highest traded price during the period (HK\$)	4.190	3.530	5.010	3.920	2.760
The highest premium of the traded price to net asset value ¹	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	3.290	2.900	4.320	3.230	1.560
The highest discount of the traded price to net asset value	58.67%	63.48%	41.79%	45.35%	73.33%
For the six months ended 30 June:					
Distribution yield per unit ²	2.81%	3.17%	2.39%	2.96%	5.13%
Annualized distribution yield per unit	5.62%	6.34%	4.78%	5.93%	10.27%
Net profit yield per unit ³	7.74%	7.93%	17.95%	5.49%	25.74%
Annualized net profit yield per unit	15.48%	15.86%	35.90%	10.98%	51.48%

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\$0.1001 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2013 over the traded price of HK\$3.56 as at 28 June 2013.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the six months ended 30 June 2013 over the traded price of HK\$3.56 as at 28 June 2013.



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