



Champion REIT
冠君產業信託



ANNUAL REPORT
2021

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)

TRUST



PROFILE

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties and is one of the 10 largest REITs by market capitalization in the Asia excluding Japan region. The Trust's focus is on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to 2.93 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 will enhance distributions.

AWARDS



WINNING

At the 28th International ARC Awards, the world's largest international competition honoring excellence in annual reports, Champion REIT's 2012 annual report had the honour of receiving 4 awards in its category. These were Gold awards for Interior Design and Photography, a Bronze award for Cover Design and Honours for Financial Data.



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CORPORATE INFORMATION

TIMELINE OF SIGNIFICANT EVENTS

2013

- JAN 17 Issue of US\$400 million 3.75% 10 Year Medium Term Notes
- JUN 3 Rollover of Debt into new HK\$2.5bn bank loan, Langham Place Mall no longer pledged to lenders
- JUL 11 Acquisition of Last 4 Floors of Citibank Tower
- AUG 8 2013 Interim Results
- OCT 9 Payment of 2013 Interim Distribution
- DEC 10 EGM Approving CPT Waiver Extension and new Annual Caps

2014

- FEB 24 2013 Final Results
- MAR 21 Publication of 2013 Annual Report
- MAY 20-26 Closure of Register of Unitholders
- MAY 26 Annual General Meeting
- MAY 29 Payment of 2013 Final Distribution



FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December

2009	2010	2011	2012	2013	PROFIT (HK\$ MIL)
\$2,035	\$1,876	\$1,940	\$2,059	\$2,179	Total Revenue
(\$326)	(\$367)	(\$378)	(\$393)	(\$431)	Property Operating Expenses
\$1,709	\$1,509	\$1,562	\$1,666	\$1,748	Net Property Income
\$4,197	\$5,309	\$6,493	\$4,160	\$2,199	Profit After Tax

2009	2010	2011	2012	2013	DISTRIBUTIONS (HK\$)
\$1,312	\$1,084	\$1,170	\$1,254	\$1,271	Distributable Income (mil)
\$1,242	\$1,067	\$1,111	\$1,186	\$1,201	Distribution Amount (mil)
\$0.261	\$0.216	\$0.224	\$0.209	\$0.210	Distribution per Unit
\$0.277	\$0.228	\$0.236	\$0.221	\$0.223	DPU (Underlying) [^]

2009	2010	2011	2012	2013	VALUATION (HK\$)
\$44,241	\$50,223	\$54,857	\$58,297	\$61,509	Gross Value of Portfolio (mil)
\$5.86	\$6.72	\$7.82	\$7.80	\$7.94	Net Asset Value per Unit

2009	2010	2011	2012	2013	FINANCIAL RATIOS
16.0%	19.6%	19.5%	19.1%	19.8%	Expense Ratio
94.6%	94.8%	94.4%	94.6%	94.5%	Payout Ratio
32.2%	28.4%	25.0%	20.4%	23.4%	Gearing Ratio

2009	2010	2011	2012	2013	OPERATIONAL STATISTICS
87.6%	81.5%	90.4%	89.1%	85.3%	Citibank Plaza Occupancy
\$90.07	\$84.67	\$85.15	\$85.12	\$84.60	... and Passing Rent (HK\$ psf)
98.5%	99.4%	96.8%	99.2%	99.0%	Langham Place Office Occupancy
\$26.82	\$26.40	\$27.43	\$28.36	\$32.86	... and Passing Rent (HK\$ psf)
100.0%	99.2%	100.0%	100.0%	100.0%	Langham Place Mall Occupancy
\$88.61	\$97.48	\$100.77	\$114.89	\$144.26	... and Passing Rent (HK\$ psf)

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



CHAIRMAN'S REPORT TO UNITHOLDERS

Total Revenue increased 5.8% in 2013, to HK\$2,179 million. As revenue at Citibank Plaza was held flat by weak demand by financial institutions, the improvement at the REIT level was driven by Langham Place. Langham Place Mall experienced a bumper year, with its revenue rising 16.8%.



DR. LO KA SHUI
Chairman

Total Revenue increased 5.8% in 2013, to HK\$2,179 million. As revenue at Citibank Plaza was held flat by weak demand by financial institutions, the improvement at the REIT level was driven by Langham Place. Langham Place Mall experienced a bumper year, with its revenue rising 16.8%. This was on the back of rising tenant sales, especially on fashion accessories and cosmetics. Revenue derived from the Langham Place Office Tower also rose, buoyed by the tight Grade-A office market outside of Central. Property Operating Expenses rose 9.7% to HK\$431 million, primarily due to inflating wage costs, and in some instances increased staffing levels. After taking into account the increase in operating expenses, Total Net Property Income improved by 4.9% over the previous year, to HK\$1,748 million.

Profit After Tax decreased from HK\$4,160 million in 2012 to HK\$2,199 million for the year, mainly due to lower non-cash revaluation gains of only HK\$1,117 million as compared to HK\$3,243 million for 2012. Excluding revaluation gains and other items that are non-cash in nature from the year's accounting profit, Distributable Income is HK\$1,271 million. The Distribution Amount, after retention of HK\$70 million, is HK\$1,201 million, an increase of 1.3% year-on-year. The Distribution Per Unit ("DPU") for the second half of the year is HK\$0.1104. Combined with the HK\$0.0998

paid out for the first half, the total DPU for this year is marginally higher at HK\$0.2102.

In July 2013 Champion REIT completed the purchase of four floors with a gross floor area of 78,316 sq. ft. (lettable 54,896 sq. ft.) at Citibank Plaza, funding the HK\$2.16 billion transaction through bank debt. With this latest acquisition, the ownership of Citibank Plaza is now unified under the Trust, giving the REIT Manager full control over the entire Citibank Plaza property. This will facilitate the implementation of leasing strategy, asset enhancement activities amongst other benefits.

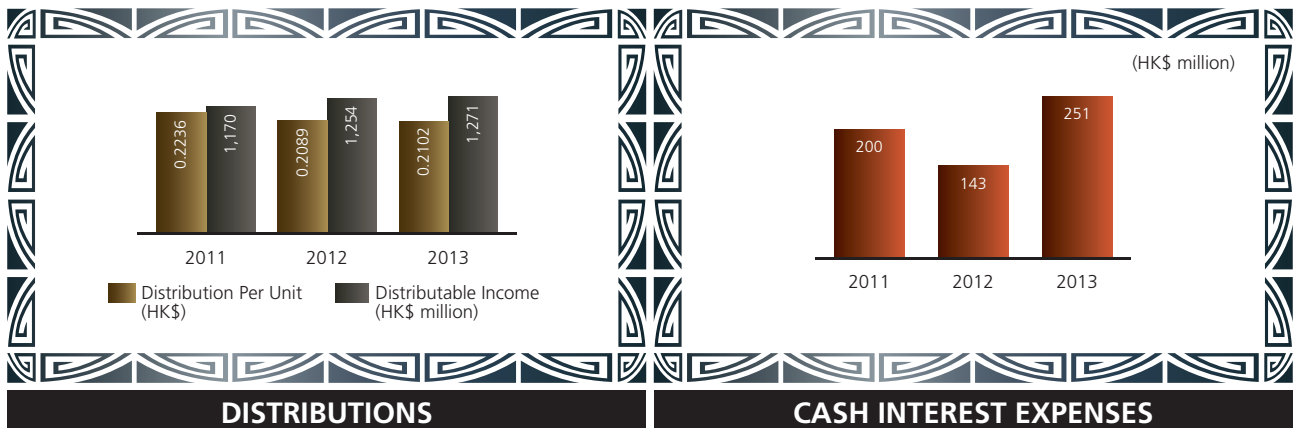
Following the completion of the acquisition, total debt increased to HK\$14.7 billion and as a result of this, the Gearing Ratio increased to 23.4% as of December 31 2013, compared to 20.4% as of December 31 2012. Taking advantage of a window of high liquidity, we issued US\$400 million of 10-year notes at a favourable coupon rate of 3.75% in January 2013 to diversify Champion REIT's sources of funding, lengthen debt maturity and lock in long term rates. Following this Medium Term Note issue and the refinancing of some low interest bank debt originating from 5 years ago, cash interest expenses increased from HK\$143 million in 2012 to HK\$251 million in 2013. While that has held back the distribution growth of the REIT for the short term, we believe the refinancing maneuvers we undertook in 2013 have

significantly improved our funding risk profile and will help stabilize our long-term financing costs.

The appraised value of the REIT's properties is now HK\$61,509 million, having risen HK\$3.21 billion over the year. As part of the increase in asset value was due to the addition of the acquired Citibank Plaza floors which were largely funded through new debt liabilities, the Net Asset Value per Unit increased by a smaller degree, from HK\$7.80 to HK\$7.94 per Unit.

In the coming year, there should be some downside for the income of Citibank Plaza. Fortunately, strong rental growth at Langham Place should be able to counteract the potential weakness at Citibank Plaza for the near term. However, higher interest costs may once again hold back the growth in our Distributable Income. Champion REIT has HK\$7 billion in bank loans due for refinancing in May 2014. While Hong Kong interbank borrowing rates remain low, the credit spread on this HK\$7 billion will likely be higher upon refinancing. The Trust will continue to monitor various financing options to optimize our capital structure and funding costs. At the same time, we will continue to actively manage our two trophy assets to maximize rental income over the long term.

LO Ka Shui
Chairman





CEO'S REVIEW

The Langham Place Mall's emphasis on the cosmetics and mid-priced fashion will continue to support sales growth in 2014. The Mall has been reinforcing its position as one of Hong Kong's most popular destinations for mid-budget Chinese tourists, which has become a major driver of sales growth.



MR. LEE CHING MING,
ADRIAN
Chief Executive Officer

	FY 2013 HK\$'000	FY 2012 HK\$'000	% CHANGE
Citibank Plaza			
Revenue	1,201,996	1,205,962	-0.3%
Operating Expenses	211,974	205,403	+3.2%
Net Property Income	990,022	1,000,559	-1.1%
Langham Place Office Tower			
Revenue	288,933	263,927	+9.5%
Operating Expenses	57,061	48,382	+17.9%
Net Property Income	231,872	215,545	+7.6%
Langham Place Mall			
Revenue	688,339	589,125	+16.8%
Operating Expenses	162,431	139,429	+16.5%
Net Property Income	525,908	449,696	+16.9%

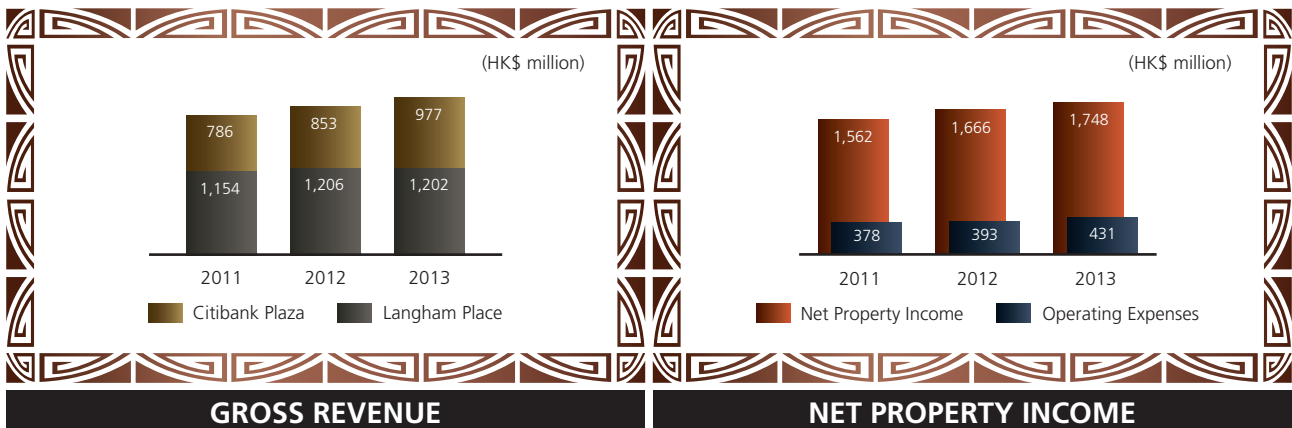
CITIBANK PLAZA

The office leasing market in Central remained weak throughout 2013 with a mild increase in overall vacancy rate of the district. Demand for office space was dampened towards the middle of the year by concerns that the US Federal Reserve Bank was about to trim its liquidity boosting measures. 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 secondary office districts also curtailed decentralization relocations.

Occupancy figures at Citibank Plaza have to be adjusted for the acquisition of 4 vacant floors in the third quarter for a like-for-like comparison. Excluding the 4 floors, the year-end occupancy would have been 89.2% as compared to 89.1% as of the end of 2012, indicating a stable leasing condition. Including the 4 floors, however, the occupancy as of 31 December 2013 was 85.3%.

The asking rent (the rental rate based on Lettable Floor Area quoted for new tenancies) at Citibank Plaza is currently HK\$80-85 per sq. ft. The passing rent (the average rental rate of existing tenancies) weakened marginally

from HK\$85.12 to HK\$84.60 per sq. ft. as leases were rolled over. This resulted in a 0.3% drop in revenue to HK\$1,202 million. While wage inflation caused a 12% increase in building management fee expenses this year and repairs and maintenance expense were higher from the reinstatement works of the newly acquired floors, this was offset to a degree by a reduction in promotion expenses and lower government rent and rates; the increase in operating expenses was limited to 3.2%, to HK\$212 million. After deducting expenses, the Net Property Income of Citibank Plaza was HK\$990 million, a 1.1% decrease year-on-year.



LANGHAM PLACE OFFICE TOWER

A dearth of new space in Kowloon together with sustained office demand by the non-financial sectors underpinned the strong performance of the Langham Place Office Tower in 2013. Supply of office space on both Hong Kong Island and the Kowloon Peninsula has been below its long term average since 2009 and rents in all office districts outside of Central were well supported. In general, vacancy levels in peripheral office districts have remained in the low single digits.

Asking rents for office space (based on Gross Floor Area) at Langham Place have risen this year and are now HK\$38-45 per sq. ft. compared to HK\$32-40 per sq. ft. a year ago. Passing rent increased from HK\$28.36 at the end of last year to HK\$32.86 as of 31 December 2013. This was a result of positive rental reversion upon the rollover of 51% of the floor area during 2013. The occupancy rate at the Langham Place Office Tower was maintained at 99.0% as of 31 December 2013.

Revenue for the Langham Place Office Tower was HK\$289 million, a 9.5% increase over the HK\$264 million reported last year. Operating expenses increased 17.9% to HK\$57 million, driven by an increase in building management fee expenses and a doubling of rental commission from the larger than normal amount of leases that had to be rolled over. Net property income grew 7.6% from HK\$216 million to HK\$232 million.

LANGHAM PLACE MALL

In 2013 the Mall continued to enjoy very high levels of foot traffic and remained fully let. Its focus on mid-price fashion and younger shoppers has largely sheltered the Mall from the slowdown of spending in the luxury segment. The Mall also intensified its promotional efforts by holding an additional major event during the summer, which generated considerable publicity both locally and in the Mainland. The number of mainland travelers frequenting the Mall, especially those on shopping visits from Southern China, has been on the increase. To capitalize on this growing category of shoppers we have proactively managed the tenant mix to cater to tourist traffic. The Mall's department store was converted into a full-fledged cosmetics store and more international brands focusing on high-value-added fashion accessories have been brought in. These factors helped the average sales per sq. ft. for tenants to grow 11.8% year-on-year.

Over the twelve months of 2013, tenancies representing 33% of the Mall's floor area were rolled over, driving a 25.6% increase in passing base rents (based on Lettable Floor Area) from HK\$114.89 per sq. ft. to HK\$144.26 per sq. ft. Generally a reduction in turnover rents would be expected after such a hefty rise in base rents. However because of the strong performance of some of the new tenants towards the end of the year, turnover rent income for 2013 instead increased by a further 4.2%, to HK\$99 million, equivalent to an additional HK\$25.87 per sq. ft. per month in income over the base rents.

The overall increase in rent rates resulted in a 16.8% increase in revenue from HK\$589 million to HK\$688 million. Operating expenses were up 16.5% to HK\$162 million for the Period. The increase in expenses was related to wage-driven management fee charges and higher rental commission from the larger amount of lease rollovers this year and the higher rents of those leases. Overall, net property income increased by 16.9% from HK\$450 million to HK\$526 million.

OUTLOOK

At the beginning of 2014, the global economy appeared to be on a stronger footing, with the United States, Europe and Japan markets all on an expansion track. As structural reforms in the China economy continue, growth may moderate but overall stability should be sustainable. At the same time, the U.S. Federal Reserve in response to the brighter economic outlook at home, has begun winding down liquidity boosting measures that have been in place since 2009. Its impact on emerging markets is unclear at this stage, but it may dampen positive sentiments in this part of the world.

At this juncture, challenges still lie ahead for Citibank Plaza. Leases on 37.8% of the floor area will be due for expiry in 2014, including one banking tenant occupying 14.3% who will depart at the end of the third quarter. Of the remaining 23.5%, we have so far secured renewals covering 17.5%. We are adopting an aggressive pricing strategy to re-fill the potential

vacancy arising from the banking tenancy. There has been some positive initial response from the market. Binding commitments have been secured from new tenants for 3.9% of floor area up to the end of January 2014. The number of inspections and initial offers received has also been on the rise in the first two months of 2014. It appears our competitive pricing is now positioning the Property to induce more leasing up as the year progresses. Nevertheless current spot rents will generally result in negative rental reversion as expiring leases are rolled over.

The low supply of Grade-A office space in Kowloon should continue to support leasing activities at the Langham Place Office Tower. Positive rental reversions on lease rollovers done in 2013 will lead to higher income for 2014. Leases covering a third of the floor space is set to expire in 2014. Though one single tenant with 9.9% of the floor area will relocate from Langham Place at mid-year, the relatively strong office market in Kowloon should allow us to keep vacancy under control. The weighted average rental rate of expiring tenancies in 2014 is HK\$28.63 per sq. ft., which is considerably lower than the prevailing market rents. We therefore expect to see further growth in rental income from the office portion of Langham Place.

The Langham Place Mall's emphasis on the cosmetics and mid-priced fashion will continue to support sales growth in 2014. The Mall has been reinforcing its position as one of Hong Kong's most popular

destinations for mid-budget Chinese tourists, which has become a major driver of sales growth. For 2014, leases representing 36% of floor area are expiring and with tenant sales still growing at a robust pace, there will be a positive impact on revenue from lease rollovers. Furthermore, the full impact of 2013's 25.6% increase in base rents will be fully reflected in 2014. A new lease on the cinema space will take effect in July 2014. There will be a significant increase in the base rent. Altogether there should be excellent income growth from Langham Place Mall in 2014.

LEE Ching Ming, Adrian
Chief Executive Officer

BOARD OF DIRECTORS

MANAGEMENT



Mr. SHEK Lai Him, Abraham
Independent
Non-executive Director

Mr. CHA Mou Sing, Payson
Independent
Non-executive Director

Mr. LO Kai Shui
Non-executive
Director

Mr. CHENG Wai Chee, Christopher
Non-executive
Director

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



Dr. LO Ka Shui
Chairman and
Non-executive Director

Mr. HO Shut Kan
Non-executive
Director

Mr. LEE Ching Ming, Adrian
Executive Director
and Chief Executive Officer

Mr. IP Yuk Keung, Albert
Independent
Non-executive Director

Dr. LO Ka Shui,

aged 67, was appointed the Chairman, a Non-executive Director and members of Audit Committee and Disclosures Committee of the REIT Manager in 2006. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited and the Chairman and Non-executive Director of LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited. He is an Independent Non-executive

Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research, the Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority.

Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than thirty years of experience in property and hotel development and investment both in Hong Kong and overseas. He is an elder brother of Mr. Lo Kai Shui, a Non-executive Director of the REIT Manager.

**Mr. CHENG Wai Chee,
Christopher,**

aged 65, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Cheng is the Chairman of Wing Tai Properties Limited. He is an Independent Non-executive Director of several listed companies, including NWS Holdings Limited, New World China Land Limited and Kingboard Chemical Holdings Limited. He is also a director of Temasek Foundation CLG Limited and a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Cheng plays an active role in public service. He is a council member of The University of Hong Kong, a member of the Board of Overseers at Columbia Business School, a member of the President's Council on International Activities of Yale University, a steward of The Hong Kong Jockey Club, the former Chairman of the Hong Kong General Chamber of Commerce and a member of Judicial Officers Recommendation Commission of the Government of the HKSAR.

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

Mr. HO Shut Kan,

aged 65, was appointed a Non-executive Director of the REIT Manager in 2007. He has over thirty years of experience in the property sector. He is currently serving as an Executive Director

and Co-Managing Director of Kerry Properties Limited, a listed company in Hong Kong. He is also a director of Shang Properties, Inc. which is listed in the Philippines.

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

Mr. LO Kai Shui,

aged 54, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Lo is the Deputy Managing Director of Great Eagle Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange, and the founder of Sun Fook Kong Group Limited. He has more than thirty years of property development, investment and building construction experience and has been involved in numerous construction projects both in public and private sectors.

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

Mr. LEE Ching Ming, Adrian,

aged 62, was appointed Chief Executive Officer, an Executive Director, a Responsible Officer and the Chairman of Disclosures Committee of the REIT Manager in 2008. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over forty years. Prior to joining the REIT Manager, Mr. Lee held senior management positions for more than fourteen years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included

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

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

Mr. CHA Mou Sing, Payson,

aged 71, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman of the Board of Directors of HKR International Limited, the Chairman and Non-executive Director of Hanison Construction Holdings Limited and an Independent Non-executive Director of New World Development Company Limited, all of which are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited, the Chairman of Mingly Corporation and a Director of Asia Television Limited. He is also a Director of LBJ Regents Limited and CCM Trust (Cayman) Limited, both of which are substantial shareholders of HKR International Limited.

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

Mr. IP Yuk Keung, Albert,

aged 61, was appointed an Independent Non-executive Director and the Chairman of Audit Committee of the REIT Manager in 2011. Mr. Ip is an international banking and real estate professional with 33 years of banking experience in Hong Kong, Asia and United States. Mr. Ip was a Managing Director of Citigroup and held senior executive positions such as Managing Director/ Head of Transaction Banking, Corporate Customer and Financial Institutions coverage and Managing Director/Head of Asia Regional Investment Finance of Wealth Management. He was formerly a Managing Director of Investments at Merrill Lynch (Asia Pacific). He is an Independent Non-executive Director of Hopewell Highway Infrastructure Limited, New World China Land Limited, TOM Group Limited, AEON Credit Service (Asia) Company Limited and Power Assets Holdings Limited, all of which are listed on the Stock Exchange of Hong Kong.

Mr. Ip is a Council Member and Chairman of Institutional Advancement Committee of Lingnan University, a Member of College International Advisory Board and a Beta Gamma Sigma Honoree at City University of Hong Kong, a Member and Governor of Technological and Higher Education Institute of Hong Kong, a Member of the International Advisory Committee and an Adjunct Scholar at University of Macau, a Member of International Advisory Council Asia, an Executive Fellow in Asia and an International Delegate, Alumni Board of Governors at Washington University in St. Louis and a Council Member of Cornell University. He is an Adjunct Professor of Lingnan University and

City University of Hong Kong and a Member of School Board Advisory Committee of Victoria Shanghai Academy. He is an Honorary Fellow of Vocational Training Council, a member of The Management Subcommittee of the Boys' and Girls' Clubs Association of Hong Kong and a member of the Committee on Certification for Principalship under the Education Bureau of the Government of the HKSAR. He was a lecturer at University of Pittsburgh's MBA program in the United States.

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

Mr. SHEK Lai Him, Abraham,

aged 68, was appointed an Independent Non-executive Director and members of Audit Committee and Disclosures Committee of the REIT Manager in 2006. Mr. Shek is a member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency since 2000. He is also a Director of The Hong Kong Mortgage Corporation Limited and a Vice Chairman of Independent Police Complaints Council. Mr. Shek is the Chairman and an Independent Non-executive Director of Chuang's China Investments Limited, the Vice Chairman and an Independent Non-executive Director of ITC Properties Group Limited and also an Independent Non-executive Director of MTR Corporation Limited, Midas International Holdings Limited,

Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, Dorsett Hospitality International Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited and Cosmopolitan International Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an Independent Non-executive Director of Regal Portfolio Management Limited (manager of the publicly listed Regal REIT) and Jetstar Hong Kong Airways Limited.

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

SENIOR MANAGEMENT

MANAGEMENT

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

As part of its duties, it will set the strategic direction and risk management policies of Champion REIT, appoint and supervise service providers, and initiate the acquisition, divestment or enhancement of assets. Communication with investors and other stakeholders is another role of the REIT Manager.



Mr. Lee Ching Ming, Adrian
Chief Executive Officer

Mr. Lee, aged 62, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. Additionally, he is responsible for the day-to-day operations. Mr. Lee is a Responsible Officer as defined under the Securities and Futures Ordinance.

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

Mr. Choo, aged 48, is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. He is also responsible for the capital structuring of Champion REIT, including the planning and overseeing of capital raising activities from the market. Mr. Choo has over 20 years of asset management experience in Hong Kong and Singapore as a licensed fund manager and is well acquainted with the operational and regulatory environment involving multi-investor trust structures registered in Hong Kong. In previous jobs, he has led investment teams at various well established asset management companies, managing private assets, public authorized unit trusts and Mandatory Provident Fund master trust funds.

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



Mr. Patrick Choo
Chief Investment Officer



Mr. Kwong Chi Kwong
Chief Operating Officer

Mr. Kwong, aged 54, is responsible for formulating the business plans of Champion REIT's properties and supervising the property management team with a view to maximizing rental income via active asset management. Mr. Kwong has more than 20 years of experience in the industry and has held a variety of management and supervisory roles in areas of leasing and sales of properties, formulation and implementation of market plans, market research, site acquisitions, feasibility studies, liaison with government authorities and external professionals and administration.

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

Ms. Sung, aged 39, is primarily responsible for the financial reporting and general office administration of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. With more than 15 years of accounting and audit experience, Ms. Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

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



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



Mr. Law, David
Compliance Manager

Mr. Law, aged 45, is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Prior to joining the REIT Manager, Mr. Law worked in various legal firms, an estate developer and an international insurance company, performing paralegal services and compliance duties.

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

Mr. Yuen, aged 39, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures internal control systems function properly and provides regular reports to the audit committee of the board of directors. Prior to joining the REIT Manager, Mr. Yuen worked as an internal auditor at a well-recognized listed property company and has almost 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

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



Mr. Yuen Chi Hang, Tony
Internal Auditor

MANAGEMENT PHILOSOPHY

MANAGEMENT

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

ASSET MANAGEMENT STRATEGY

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

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

ACQUISITION STRATEGY

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

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



After the issuance of the MTN in January 2013, the average outstanding life of the Trust's committed debt facilities has now been extended from 1.07 years to 3.11 years.

DISTRIBUTIONS

The Total Distribution Amount of Champion REIT for the Year was HK\$1,201,226,000 (2012: HK\$1,186,217,000).

This Total Distribution Amount was based on 90% (2012: 90%) of Champion REIT's Distributable Income but because of the compulsory inclusion of retained distributions from the first half of

each year into the distributable income of the second half of each year as required under the Trust Deed, the effective payout ratio for 2013 was 94.5% (2012: 94.6%).

The Distribution per Unit for the six months ended 31 December 2013 ("Final Distribution per Unit") was HK\$0.1104. This Final Distribution per Unit is subject to adjustment upon the issuance of new Units between 1 January 2014 and the record date. A further announcement will be made to Unitholders informing them of any adjustment to the Final Distribution per Unit.

With an interim Distribution per Unit of HK\$0.0998 and a Final Distribution per Unit of HK\$0.1104, the Total Distribution per Unit for the Year amounted to HK\$0.2102 (2012: HK\$0.2089). Based on the

closing Unit price of HK\$3.43 as at 31 December 2013, the Total Distribution per Unit is equivalent to a distribution yield of 6.13%.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 20 May 2014 to Monday, 26 May 2014 ("Record Date"), both days inclusive. During this period no transfer of Units will be effected. The payment of the distribution for the six months ended 31 December 2013 ("Final Distribution") will be made on 29 May 2014 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the Final Distribution and be entitled to attend and vote at the 2014 Annual General Meeting to

be held on 26 May 2014, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 19 May 2014.

DEBT PROFILE

The Trust issued from its Guaranteed Medium Term Note ("MTN") Programme a tranche of US\$400 million 10-year unsecured notes in January 2013 with fixed interest rate of 3.75% per annum. The net proceeds from the issue were US\$394,940,000 and these were used primarily for the redemption of the Trust's outstanding convertible bonds (the "Bonds") in June 2013.

At the beginning of the Year, the outstanding principal amount of the Bonds was HK\$2,264.6 million. During the Year, an aggregate principal amount of HK\$322.9 million of the Bonds was converted before their maturity date. As a result, the Trust paid approximately HK\$322.9 million and issued approximately 12.4

million new Units to the converting bondholders. After the conversions, the outstanding principal amount of the Bonds was reduced to HK\$1,941.7 million and these were fully redeemed with an aggregate amount of HK\$2,406.5 million in June 2013.

Total outstanding borrowings of the Trust increased by HK\$2,485.1 million, from HK\$12,218.6 million as at 31 December 2012 to HK\$14,703.7 million as at 31 December 2013. The increase was mainly due to the drawdown of a new term loan facility of HK\$1,900 million to finance the acquisition of a portion of the third floor and the whole of the fourth, fifth and the sixth floors of Citibank Tower in July 2013. The new facility bears interest at floating interest rate of HIBOR plus 1.48% per annum and is repayable in July 2018.

The Trust's total fixed rate debt amounted to HK\$3,103.7 million as at 31 December 2013 (31 December 2012: HK\$2,264.6 million). As the net proceeds raised from the issuance of MTN was greater than the amount required for the redemption of the Bonds, the percentage of fixed rate debt increased to 21.1% as at 31 December 2013 (31 December 2012: 18.5%). 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 order to fully hedge the currency exposure with respect to the principal as well as the interest of the MTN, the Trust entered into cross currency swaps (the "CCSs") in an aggregate amount of US\$400 million during the Year. With these CCSs, the Trust has locked in the exchange rates of both the final principal and interest payments at an average rate of HK\$7.7593 to US\$1.00.

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 3.11 years (31 December 2012: 1.07 years). The HK\$7,000 million term loan that is falling due in 2014 is secured by properties with a conservative loan to value ratio of 22.9%. Refinancing arrangements are now in progress.

The value of the Trust's investment properties at 31 December 2013 was appraised at HK\$61,509 million, representing a 5.5% increase from HK\$58,297 million as

COMMITTED DEBT FACILITIES⁽¹⁾

As at 31 December 2013

HK\$ MILLION	FIXED RATE DEBT	FLOATING RATE DEBT	UTILISED FACILITIES	UNDRAWN FACILITIES	TOTAL COMMITTED FACILITIES
Bank Loans	–	11,600.0	11,600.0	300.0	11,900.0
MTN ⁽²⁾	3,103.7	–	3,103.7	–	3,103.7
Total	3,103.7	11,600.0	14,703.7	300.0	15,003.7
Percentage	21.1%	78.9%	98.0%	2.0%	100.0%

⁽¹⁾ All amounts are stated at face value

⁽²⁾ After accounting for cross currency swaps

FACILITY MATURITY PROFILE

As at 31 December 2013

	HK\$ MILLION	% OF TOTAL
Due in year 2014	7,000.0	47.6
Due in year 2015	500.0	3.4
Due in year 2016	2,200.0	15.0
Due in year 2018	1,900.0	12.9
Due in year 2023	3,103.7	21.1
Total	14,703.7	100.0

at 31 December 2012. This increase in value was due to the 8.5% rise in the appraised value of Langham Place as well as the addition of the acquired Citibank Plaza floors during the Year. With the increased total borrowings of the Trust, the Gearing Ratio (or total borrowings as a percentage of gross assets) increased to 23.4% as at 31 December 2013 (31 December 2012: 20.4%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 27.8% (31 December 2012: 26.1%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$45,364.0 million as at 31 December 2013,

an increase of 2.5% compared to HK\$44,252.2 million as at 31 December 2012. As the acquisition of Citibank Plaza floors was funded mostly through new debt, the increase in net assets attributable to Unitholders during the Year was primarily driven by the increase in the fair value of Langham Place.

The Net Asset Value per Unit as at 31 December 2013 was HK\$7.94 (31 December 2012: HK\$7.80). It represented a 131.5% premium to the closing unit price of HK\$3.43 as at 31 December 2013.

CASH POSITION

As at 31 December 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\$1,066.4 million (31 December 2012: HK\$1,397.1 million). Taking into consideration the financial resources available to the Trust, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

PLEGDED ASSETS

During the Year, the Trust took the opportunity to release the Langham Place Mall and Car Park as pledged securities upon the refinancing of the bank loan due in June 2013. Accordingly, the total fair value of investment properties pledged to secure the debt facilities granted to the Trust decreased by HK\$9,993 million, from HK\$53,771 million as at 31 December 2012 to HK\$43,778 million as at 31 December 2013.

COMMITMENTS

Except for the capital commitment of approximately HK\$26.6 million (31 December 2012: HK\$56.3 million) in respect of the addition of investment properties contracted for but not provided in the consolidated financial statements, the Trust did not have any other significant commitments as at 31 December 2013.

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

REAL ESTATE AGENTS AND CONTRACTORS	NATURE OF SERVICE	VALUE OF CONTRACT HK\$	RELEVANT COST %
The Great Eagle Properties Management Company, Limited	Building management	225,106,000	57.3
Eagle Property Management (CP) Limited	Leasing and marketing	84,998,000	21.6
Longworth Management Limited	Building management	34,199,000	8.7
R Two (HK) Ltd	Promotion expenses	6,614,000	1.7
The Great Eagle Engineering Co. Ltd	Repairs & maintenance	5,417,000	1.4
Total		356,334,000	90.7




ENVIRONMENTAL AND SOCIAL REVIEW

Corporate Social Responsibility is one of the tenets of Champion REIT's management philosophy. We recognize that Corporate Social Responsibility will create long-term value for our customers, partners, investors, employees and other stakeholders. To this end, issues covering ethical operating practices, the workplace, the environment and the community are given serious consideration at the strategic level as well as in the day-to-day operations of the Trust's properties.

WORKPLACE QUALITY

HEALTH AND SAFETY


 Champion REIT's properties possess the health and safety features generally expected of modern premium grade properties, including computerized automatic fire detection alarm systems and emergency power supply to common areas and essential facilities when there is a power failure event. Regular fire drills are also conducted. The management systems of both Citibank Plaza and Langham Place are certified under OHSAS (Occupational Health and Safety Assessment Series) 18001 to ensure health and safety risks are minimized by proper monitoring and operating procedures combined with regular training and drills.

A safe working environment and in particular air quality is a very important factor for tenants and high standards for indoor air quality and circulation are maintained. Our properties are classified as 'Excellent' under the Hong Kong Environmental Protection Department's Indoor Air Quality Certification Scheme for Offices and Public Places. They were also recipients of the Quality Water Recognition Award issued by the Hong Kong Water Supplies Department.

We recognize that productive employees are those who maintain a healthy work-life balance. To this end, employees of the REIT Manager are provided with access to various wellness and interest classes that are offered on a yearly basis.

WORKING CONDITIONS

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself. The REIT Manager is dedicated to diversity in the workplace and adheres to Hong Kong's equal opportunity laws. Under our equal opportunity policy, no job applicant or employee is disadvantaged by or receives less favourable treatment because of disability, gender, pregnancy, marital or sexual orientation.

DEVELOPMENT AND TRAINING

We believe the availability of training and development opportunities is an important factor for attracting and retaining quality staff. Besides offering a competitive compensation and benefits package, we provide corporate and vocational trainings to staff at all levels. Our comprehensive performance appraisal system provides a regular dialogue mechanism whereby staff can provide feedback to their superiors, establish key objectives

for each year and determine their training and development needs. For the reporting year, 100% of eligible employees (those who are employed before August 1st of the year) received performance and career development reviews.

LABOUR STANDARDS

Champion REIT is in compliance with the Hong Kong Employment Ordinance which covers a comprehensive range of employment protection and benefits for employees including: wage protection, rest days, holidays with pay, paid annual leave, sickness allowance, maternity protection, severance payment, long service payment, employment protection, termination of employment contract and protection against anti-union discrimination. There are no employees that are defined as children or young persons under the ordinance (persons under the age of 18). As Champion REIT is a pure landlord and has no industrial or manufacturing operations, there are no potential issues involving child or forced labour.

Breakdown of Employees and Turnover Rate by Age Group and Gender

	BY AGE GROUP (YEARS OLD)					BY GENDER	
	Under 20	20 – 29	30 – 39	40 – 49	over 49	Male	Female
Employed on Dec 31 2013	0%	17%	33%	25%	25%	67%	33%
Turnover Rate in 2013	0%	50%	25%	33%	0%	0%	75%

The table above refers to the employees of the REIT Manager. As the REIT Manager delegates the property management, lease management and marketing & promotion functions to various service providers, it has only a relatively small number of employees. This can lead to misleadingly high turnover rates even if just one employee in any one category has to be replaced.

ENVIRONMENTAL PROTECTION

USE OF RESOURCES

Energy efficiency is an important means of reducing emissions and conserving the world's limited resources. Pursuing energy efficiency also has the parallel benefit of reducing operating expenses, even while global warming is ameliorated. An energy saving feature inherent to both of Champion REIT's properties is the use of large multi-storey glass curtain walls to provide atrium and lobby areas with natural lighting. At Langham Place, this feature is particularly noticeable and anyone can look through the 9-storey mall atrium and see the neighbourhood buildings on the other side. Reflective coatings along the primary glass walls provide additional energy savings by reflecting heat while allowing light to enter the interior.

Both of our properties also boast a comprehensive ventilation and air conditioning system complete with floor-by-floor climate sensors. To minimize redundant cooling, air-conditioning can be controlled in incremental areas and turned off for unused areas.

Both Citibank Plaza and Langham Place have pledged their support for the "Energy Saving Charter" scheme set up by the Environment Bureau to promote lower air-conditioning energy consumption. Under this pledge, an average interior temperature of between 24–26°C will be maintained during the summer months of June to September.

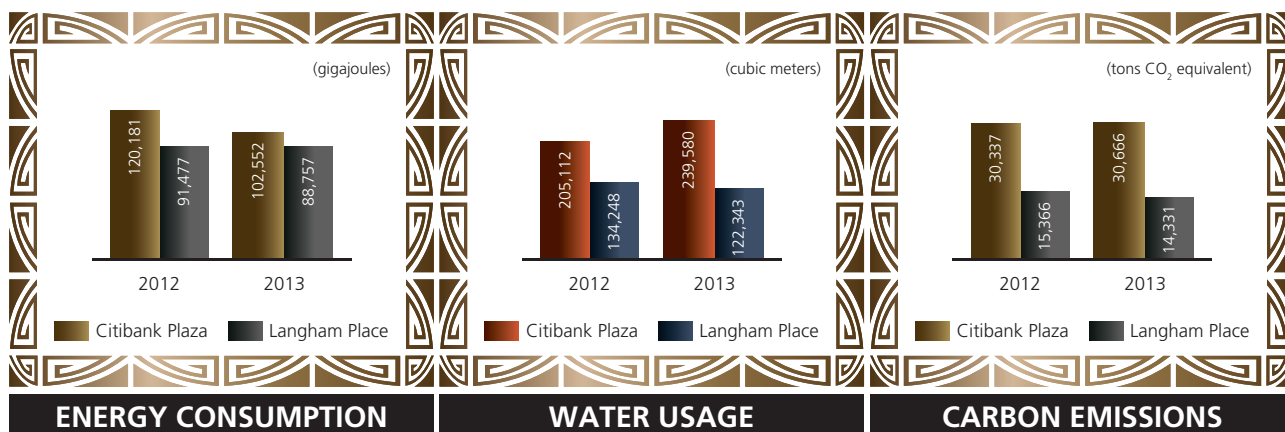
Citibank Plaza is in the process of upgrading its lighting fixtures to accommodate T5 fluorescent tubes and in some cases LED light fittings. T5 tubes have a much higher lumens-per-watt efficiency and lower mercury content than its predecessor. Lighting control with motion sensors in our car parks are under consideration or already installed. To reduce water usage, we have installed low flow water faucets in all our properties and are reusing water collected in an underground tank for irrigation at Citibank Plaza. Both Citibank Plaza and Langham Place received Green Management Awards issued by the Green Council in 2013. To support the introduction of electric vehicles to Hong Kong, Electric Vehicle Recharging Stations have been added to both our car parks.

In 2013 the energy consumption at our properties decreased by 9.6% to 191,309 gigajoules. Electricity consumption at Citibank

Plaza in particular was reduced by some 15% with the phasing in of 4 new energy-efficient chiller plants. Water usage increased by 6.6% to 361,923 cubic meters. There was an increase in water usage at Citibank Plaza as its new chiller plants use circulating water as its heat exchange medium. Going forward, there should be greater savings in electricity, but again higher water usage as the remaining air-cooled chiller plants at Citibank Plaza are replaced with new water-cooled ones.

EMISSIONS

As Champion REIT is a pure landlord and has no manufacturing operations, there are no hazardous by products produced or discharged. The only relevant emissions would be those generated through the day-to-day operations at our properties. In 2013 the estimated combined carbon emissions of our properties decreased by 1.5% to 44,997 tons of carbon dioxide. We include direct emissions as well as indirect emissions (for example those resulting from electricity generated offsite) in our estimates. Notwithstanding the reduced energy usage at Citibank Plaza, carbon emissions from that property increased marginally due to the one-off impact of refrigerants in our new chiller



plants, equivalent to almost 5,000 tons of carbon dioxide.

THE ENVIRONMENT AND NATURAL RESOURCES

The environmental management systems of both Citibank Plaza and Langham Place are certified under ISO 14001. This drives progressive environmental protection policies that strive to reduce the environmental impact of our properties and facilitate recycling. Procedures at our properties are in place to administer and facilitate the separation and collection of office and retail waste for third-party recycling. Tenants are invited as partners to enlarge the scale and efficacy of these recycling initiatives.

Paper is by far the largest category of materials sent for recycling, with 220 tons collected in 2013. Besides typical waste products such as paper and plastic bottles, food waste from our food court tenants are also collected and sent for reprocessing.

The property management team at Citibank Plaza won a silver award under the Hong Kong Awards for Environmental Excellence. Citibank Plaza was also awarded a “Class of Excellence” at the Wastewi\$e Awards for Environmental Excellence. The Environmental Protection Department of the Hong Kong Government has issued certificates to Citibank Plaza and Langham Place certifying the effectiveness of their Programs on Source Separation of Commercial and Industrial Waste.

To reduce paper usage itself, Champion REIT amended its trust deed last year to delete the requirement to deliver a physical copy of its financial annual and interim reports to each unitholder.

Unitholders are able to choose if they wish to be mailed a copy of the Trust’s Interim Report and Annual Reports each year. PDF versions of the Trust’s financial

reports have been available at www.championreit.com since the Trust was listed.



Materials Collected for Recycling

	2012	2013
Waste Paper (kg)	238,000	220,235
Fluorescent Tubes (kg)	1,004	1,228
Plastic Bottles (kg)	846	1,061
Aluminum Cans (kg)	98	93
Reusable Batteries	338	488

OPERATING PRACTICES

PRODUCT RESPONSIBILITY

We strive for quality service to our customers, who are our tenants and shoppers. Our building management teams operate under the ISO 9001 Quality Management System which among other things requires the monitoring of customer satisfaction. To this end, questionnaires are sent regularly by the Building Managers to our tenants to obtain their feedback. Tenants can also send suggestions or complaints to the building management through multiple channels and may also directly contact the REIT Manager through our property specific websites. Service quality management at Citibank Plaza is certified by the Hong Kong Quality Assurance Agency.

In 2013, Citibank Plaza won the grand award for the office building segment at the Excellence In Facility Management Awards organized by the Hong Kong Institute of Facility Management. It was also recognized as the commercial building with the Best

Customer Experience Management at the Customer Relationship Excellence Awards. Langham Place earned an Enterprise Award at the Hong Kong Star Brands Awards in acknowledgment of the widespread recognition of the Langham Place brand and its association with quality.

ANTI-CORRUPTION

Champion REIT is committed to the highest ethical standards. All employees are given a Code of Conduct to which they are required to adhere. Employees are explicitly prohibited from soliciting, accepting, or offering bribes or any other form of advantage. The awarding of new project and service contracts valued at HK\$100,000 and above is primarily based on the results of a tendering process, with some exceptions such as in the case of utility providers and the rollover of existing service agreements. Furthermore, multiple quotations must be obtained for transactions of over HK\$5,000. The Code of Conduct also outlines expectations on staff with regards to conflicts

of interest. Trading in units of Champion REIT is strictly prohibited during blackout periods and other times when staff are in possession of financially sensitive information.

SUPPLY CHAIN MANAGEMENT

Subject to the overall management and supervision of the REIT Manager, the function of managing of the properties of the Trust is delegated to service providers such as Eagle Property Management (CP) Limited, the Property Manager as well as various Building Managers. All of Champion REIT's main service providers are required to have similar or complimentary policies and procedures with regards to operating practices, the workplace quality and environmental protection.



COMMUNITY INVOLVEMENT

COMMUNITY INVESTMENT

Champion REIT's community involvement tends to focus on three thematic areas: the Arts, Children and the Environment. Based on these themes, we often partner with non-profit organizations, offering our properties as venues for various projects that source for donations or create awareness of worthy causes.

As a patron of the Arts, classical music performances are sponsored at Citibank Plaza on a weekly basis. In some weeks professional musicians perform for the enjoyment of the general public, in others young

talented music students are given the opportunity to experience performing in public. In 2013 there was a collaboration with the Hong Kong Youth Arts Foundation to commission several human-sized nutcracker sculptures made entirely from recycled materials. These sculptures were displayed at Citibank Plaza over the Christmas season to promote awareness of material recycling. Both our properties participated in Earth Hour 2013 organized by World Wildlife Fund.

In the area of children, HK\$142,000 of donations were accumulated for the Make-A-Wish Foundation through the Spiral Stars Gallery at Langham Place. Donation boxes built into the 12 zodiac sculptures of the gallery have been directing funds to children with life-threatening medical conditions for many years now. Donations of over HK\$1.2 million have been collected this way since the gallery was launched. This year, Langham Place was the venue sponsor for a music marathon arranged by the Shining Stars Foundation and St. James' Settlement to raise funds for the education of

underprivileged children. Citibank Plaza provided the venue for a World Vision exhibition to create awareness of child poverty in underdeveloped countries.

In addition to the core themes, Champion REIT participates in other civic activities such as blood donation drives and charity runs/walkathons. This year, donations were collected at Langham Place Mall on behalf of World Vision for disaster relief in the Philippines. Langham Place was once again selected this year as a Caring Company by the Hong Kong Council of Social Service.

Portions of both properties are also dedicated to public usage. In service to the community, Citibank Plaza provides more than 60,000 sq. ft. of floor space as a public thoroughfare. It also maintains two pedestrian bridges abutting the public thoroughfare, providing sheltered elevated access between Hong Kong Park and Central. Langham Place provides a pedestrian system consisting of bridge and underground tunnel that allows easy and safe access from the MTR Station to the community centre and minibus depot on Shanghai Street.

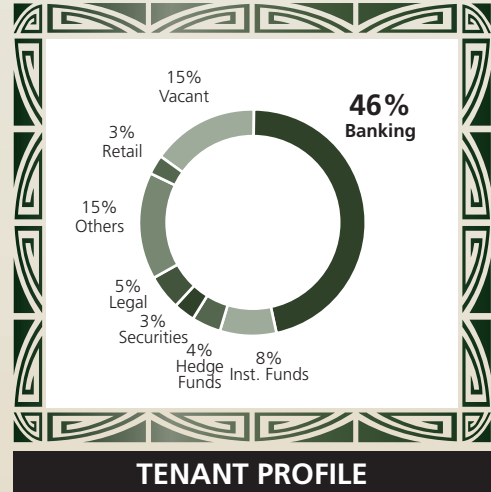
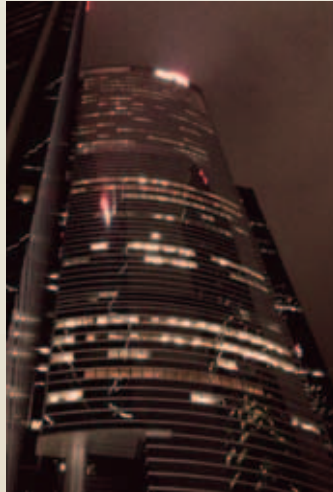


PROPERTY AT-A-GLANCE

PORTFOLIO

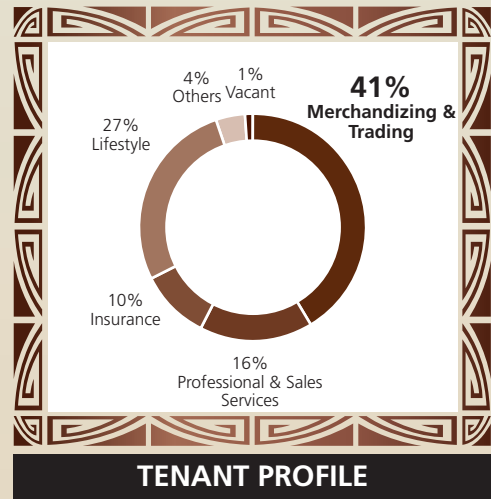
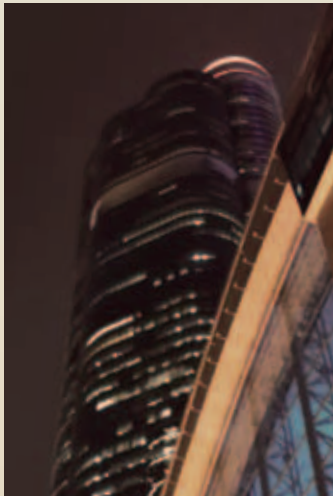
CITIBANK PLAZA

is one of the largest Grade-A commercial complexes in Hong Kong's Central district with a gross floor area of 1,638,000 sq. ft. It consists of a 47 storey and a 37 storey office tower linked through a podium. Both towers are intelligent buildings capable of meeting the demanding technical specifications of global financial institutions.



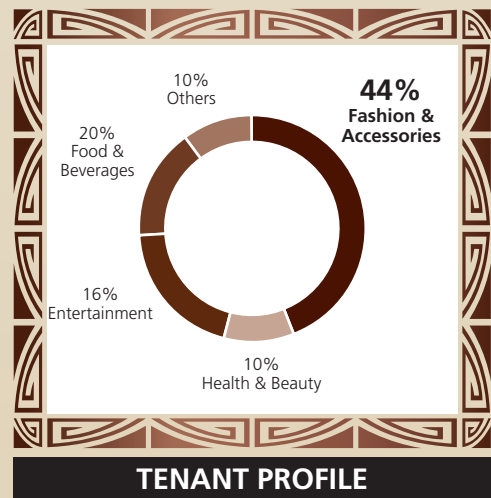
THE LANGHAM PLACE OFFICE TOWER

is a 703,000 gross sq. ft. 59 storey office tower located within the Langham Place mixed-use development. It is a Grade-A office property in Mongkok, a major transport hub in Kowloon and a busy shopping district. The building focuses on tenants involved in the services and lifestyle industries.



LANGHAM PLACE MALL

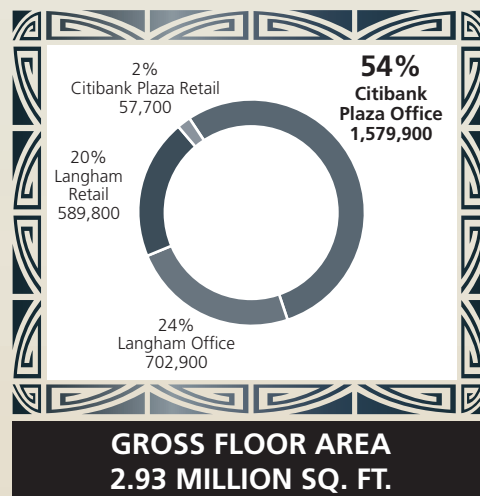
is a 15-level, 590,000 gross sq. ft. 'vertical' mall focusing on mid-priced fashion, beauty products and food & beverage. It anchors the Langham Place development and offers a unique shopping experience through its distinct architectural features and its novel promotion events. The Mall has built its reputation as a trendy social and retail destination for young and fashion-conscious shoppers, and is popular among tourists.



PROPERTY VALUE AS OF 31 DEC 2013 : HK\$61.5 BILLION

	Citibank Plaza HK\$ mil	Langham Place HK\$ mil	Sub-total HK\$ mil
Office	36,830	7,381	44,211
Retail	441	15,723	16,164
Car Park	329	288	617
Miscellaneous	300	217	517
Total	37,900	23,609	61,509

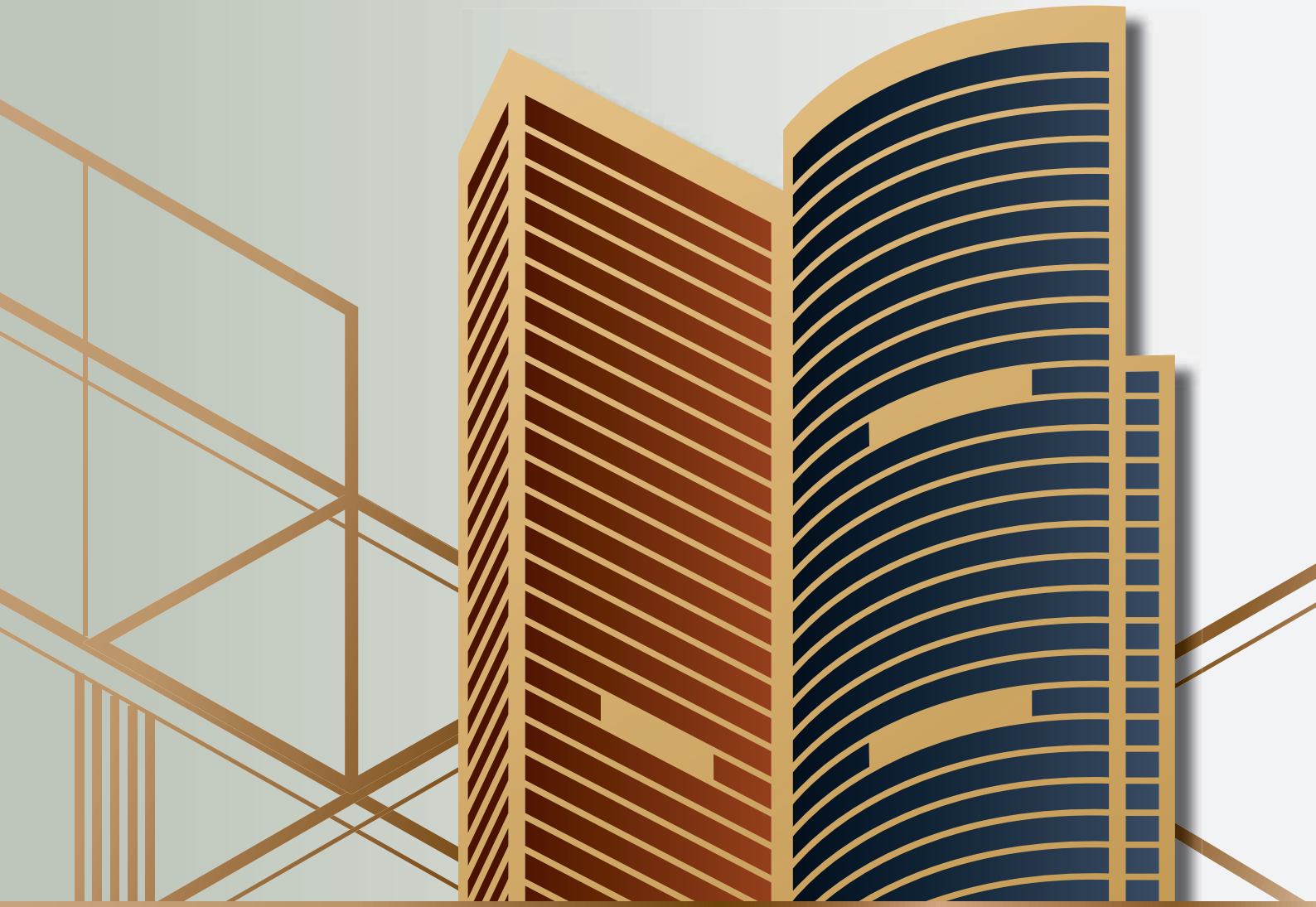
For additional details, please refer to the valuation report section



MAJOR TENANTS OF CHAMPION REIT (in alphabetical order):

- ◆ Bank of America Merrill Lynch
- ◆ Beauty Avenue
- ◆ Citibank
- ◆ Hennis and Mauritz
- ◆ Industrial and Commercial Bank of China
- ◆ Neo Derm
- ◆ Nissan Motor Co.
- ◆ Pure Yoga
- ◆ Sears
- ◆ UA Cinemas





CITIBANK PLAZA PORTFOLIO

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

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

PRIME ASSET

Citibank Plaza is a modern glass and steel office complex that comprises Citibank Tower, ICBC Tower, a 3 level basement garage capable of accommodating 558 vehicles, as well as a retail podium. The complex is located in the Central District of Hong Kong and is well connected by elevated walkway to the rest of Central. Its address at No. 3 Garden Road is nestled within the traditional banking hub of Hong Kong which also contains the headquarter buildings of all three of Hong Kong's currency issuing banks. With the acquisition of the last four floors that it did not own in 2013, Champion REIT is now the owner of Citibank Plaza in its entirety.

ARCHITECTURAL EXCELLENCE

With a gross floor area of over 1.6 million sq. ft., Citibank Plaza is one of the biggest office complexes in Hong Kong, capable of serving a working population of over 10,000. The premium office complex is considered by many to be one of the Central District's

iconic structures. Besides its two characteristic curved reflective facades, the complex contains many distinct architectural features, such as the flexibility to join 26 floors of both towers to provide an enlarged floor plate of up to 34,000 sq. ft. In recognition of excellence in the area of architectural design, Citibank Plaza was awarded the Hong Kong Institute of Architects' highest award when it was built.

PREMIUM GRADE 'A' SPECIFICATIONS

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

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

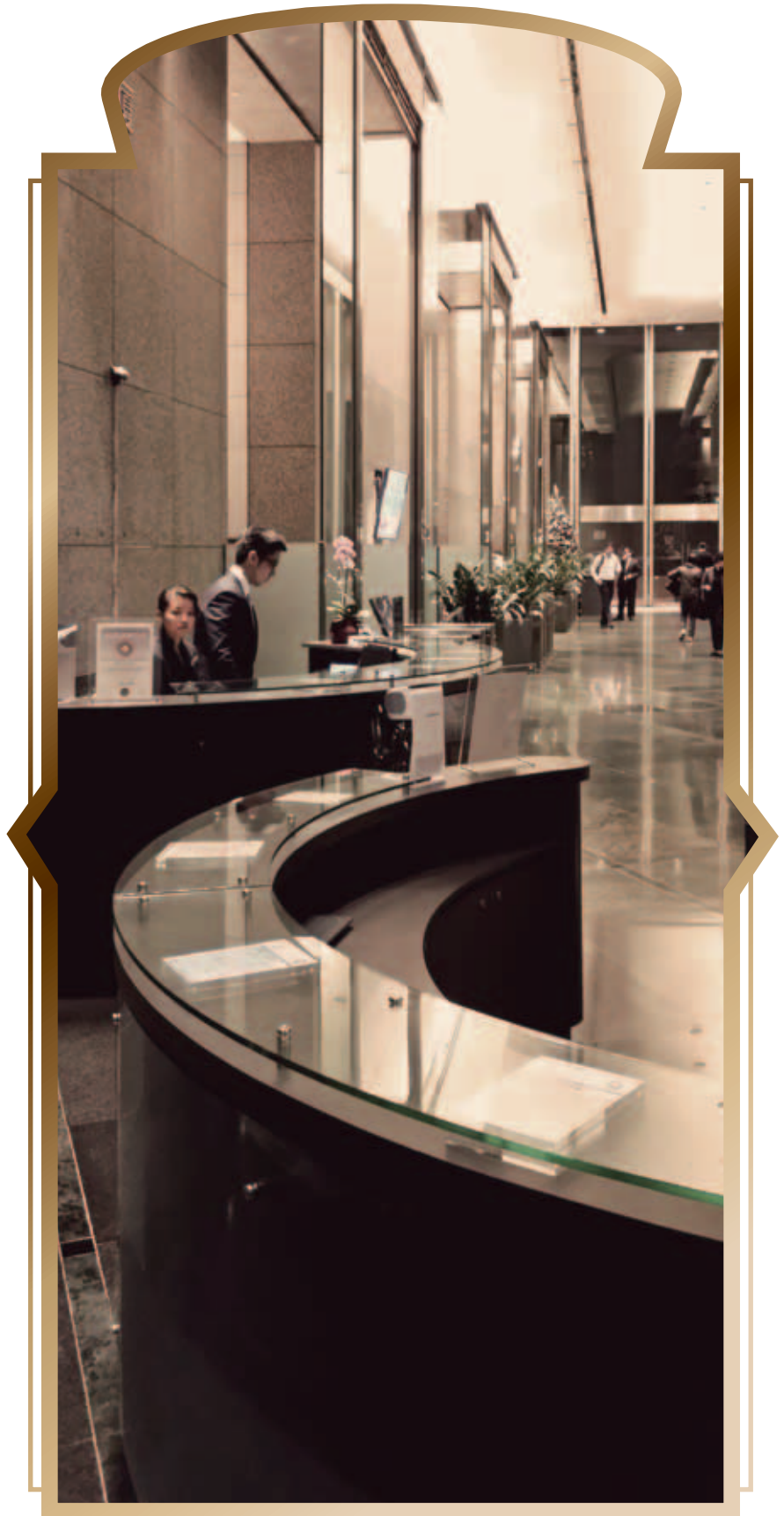
AMENITIES AND SERVICES

In addition to its prime location and premium specifications, the 'tenant experience' also plays an important role in attracting quality tenants to the property. Citibank Plaza places great emphasis on the quality of facility management and level of customer service. The relaxation and cardiovascular needs of the tenants are also an integral part of Citibank Plaza's success formula. Citibank Plaza is home to a health club occupying almost four floors of one tower. This health club features a health spa, gymnasium and a heated swimming pool among other exercise facilities. Another amenity to tenants is the retail area in the lower lobby of the podium where tenants have access to a variety of food and beverage outlets. This is also the venue for weekly classical musical performances which are well received by tenants.



ASSET ENHANCEMENT

Since the property was injected into the Trust, the upper lobby of the podium has been retrofitted with a security card access system, electronic directories and a new information counter. The lower lobby has also been refurbished into a trendy lounge area. To cater to the growing need for ever higher requirements for emergency power and back-up chilled water supply for server rooms and trading areas, Citibank Plaza's emergency power capacity and back-up chilled water capacity have also been upgraded. Looking forward, the asset enhancement program at Citibank Plaza will continue so as to better position Citibank Plaza to serve its top tier banking and financial tenants. New energy efficient chiller plants and variable air volume ventilation units are currently being installed in phases. The renovation of the basement car park, originally slated for 2013, has been postponed to 2014.





BUILDING STATISTICS

- ◆ HK\$37.90 billion Assessed Value
- ◆ Built in 1992
- ◆ 205m Tall, Highest Floor is 50
- ◆ 558 Vehicle Basement Garage
- ◆ 87 Tenants
- ◆ 1,638,000 sq. ft. Gross Floor Area
- ◆ 1,225,000 sq. ft. Lettable Office Area
- ◆ 34,000 sq. ft. Gross Floorplate
- ◆ 43,000 sq. ft. Lettable Retail Area



FEATURES & AMENITIES

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

CITIBANK PLAZA: LEASING AND PROPERTY MANAGEMENT TEAM

PORTFOLIO

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

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



Ms. Lam Yuk Lin, Violin
General Manager, Leasing

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

Ms. Wong holds a Master of Art degree in Business Administration from the University of Hull, U.K. and a Master of Science degree in hospitality management from the Sheffield Hallam University, U.K.. She is a member of the Hotel & Catering International Management Association and the American Society for Quality.



Ms. Yolanda Wong
General Manager, Building Management

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

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



Mr. Marco Ho
Chief Estate Manager

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

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



Mr. Alan Mok
Senior Manager, Estate

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

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



Ms. Christine Lam
Senior Tenancy Service Manager

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

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



Mr. Y H Kwok
Head of Technical Services



LANGHAM PLACE PORTFOLIO

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

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

PREMIUM ASSET, PRIME LOCATION

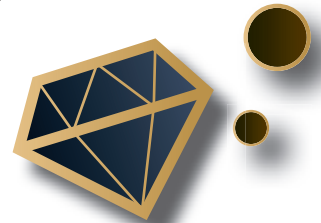
Langham Place is an integrated commercial development which comprises a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark and a 42-storey 5-star hotel. The project occupies two entire city blocks defined by Argyle Street, Portland Street, Shantung Street and Reclamation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

percentage terms, this is equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place.

FASHION MALL REDEFINING MONGKOK

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

Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion trends. Each day, 200,000 to 300,000 shoppers visit the mall to look for the latest in hip and trendy apparel, accessories and footwear. As part of the Langham shopping experience, the mall also offers its shoppers a cineplex, a games arcade and over 30 food and beverage outlets. Because of its immense popularity among teens and young adults, Langham Place Mall has been the venue of choice for fan and media events by local and foreign celebrities alike. The mall is also popular with tourists from the mainland as it is well known for its wide selection of cosmetics. In the 2013/14 Love To Vote: Shopping Mall Awards, Langham Place Mall was a recipient of the event's grand prize, the All HK Top 10: My Favourite Shopping Mall award.



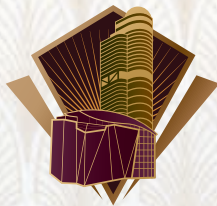
MONGKOK'S PREFERRED OFFICE ADDRESS

The Langham Place Office Tower is a modern 59 storey Grade 'A' building that is the preferred corporate address in Mongkok. It is covered in distinctive reflective blue glass and topped off with a large colour-changing dome visible from as far as Hong Kong island at night. As the building is conveniently located in a decentralized office district it attracts tenants from

merchandizing and wholesale sectors. The office tower is also home to many semi-retail and service-oriented enterprises because of its location within a busy shopping district and its synergistic connection to the Langham Place Mall. The building contains a 70,000 square feet fitness and well-being centre, purportedly housing the world's largest yoga studio, as well as many smaller spas.

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

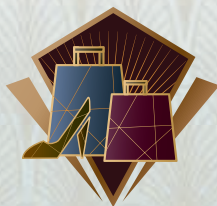




BUILDING STATISTICS

- ◆ HK\$23.61 billion Assessed Value*
- ◆ Built in 2004
- ◆ 255m Tall, Highest Floor is 60
- ◆ 255 Vehicle Basement Garage
- ◆ 64 Office Tenants*
- ◆ 194 Retail Tenants
- ◆ 1,293,000 sq. ft. Gross Floor Area*
- ◆ 703,000 sq. ft. Gross Office Area*
- ◆ 17,400 sq. ft. Gross Office Floorplate
- ◆ 319,000 sq. ft. Lettable Retail Area

* only Champion REIT's portion



FEATURES & AMENITIES

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

WHAT'S BEEN HAPPENING AT LANGHAM PLACE MALL 2013

FESTIVE PROMOTION EVENT

couples at the Mall's F&B outlets on Valentine's Day are given a complimentary Polaroid picture of their dinner date.

ALBUM LAUNCH EVENT

singer-song writer Terry Zou and the Cantopop duo AOA at a launch event at the Mall's Live Stage.

FESTIVE PROMOTION EVENT

the Mall's Grand Atrium is filled with decorative backdrops for photo taking during the Chinese New Year.

KOREAN TV EVENT

the hosts of the hit Korean TV reality show Running Man greeting a legion of fans at Langham Place Mall.





ALBUM LAUNCH EVENT

the Canton pop group As One meeting their fans and signing autographs at an album launch.

TENANT PROMOTION EVENT

the well-known Japanese character To-Fu promoting the debut of a new Japanese fashion brand at the Mall.

TENANT PROMOTION EVENT

Yuko Shimizu, creator of Hello Kitty and Rebecca Bonbon, hosts a make-up promotion event at the Mall.

TENANT PROMOTION EVENT

the girl group Super Girl host the Spring/Summer collection preview of a footwear chain at the Mall.

LANGHAM PLACE: LEASING AND PROPERTY MANAGEMENT TEAM

PORTFOLIO



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

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

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



Mr. David Chiu
General Manager, Property Management

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

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



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

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

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



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

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

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



Mr. Chan Chor Kiu, Desmond
Chief Estate Manager

Mr. Chan is responsible for building management of the shopping mall, office tower and car park at Langham Place. Prior to joining the management team of Langham Place in 2006, he worked for several of Hong Kong's leading listed property companies and has over 15 years of experience in the property management industry.

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



Mr. Timothy Chu
Technical Manager

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

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

VALUATION REPORT



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

Savills Valuation and Professional
Services Limited

23/F Two Exchange Square
Central, Hong Kong

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

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

24 January 2014

Dear Sirs

RE: CITIBANK PLAZA, 3 GARDEN ROAD, CENTRAL, HONG KONG (“PROPERTY”)

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2013 (referred to as the “Valuation Date”) for accounting purposes.

BASIS OF VALUATION

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

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of Champion REIT and have carried out the valuation independently and impartially. Our valuation is prepared in accordance with Chapter 6.8 of the Code on Real Estate Investment Trust published by the Securities and Futures Commission of Hong Kong and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

VALUATION METHODOLOGIES

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

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

INCOME CAPITALIZATION

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

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

DIRECT COMPARISON

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

TITLE INVESTIGATIONS

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

VALUATION CONSIDERATION

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

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

We have inspected the exterior of the Property valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free of rot, infestation or any other structural defect. No tests were carried out to any of the services. Our inspection was undertaken by Mr. Victor Chow, MHKIS, on 2 January 2014.

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

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

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

We enclose herewith our valuation certificate and market overview.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 29 years experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

PROPERTY

Citibank Plaza, 3 Garden Road, Central, Hong Kong.

Inland Lot No. 8888.

DESCRIPTION AND TENURE

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

The total floor area and the gross rentable area of the retail and office portions of the Property are as follows:-

USE	TOTAL FLOOR AREA	
	sq.m.	sq.ft.
Retail	5,362.41	57,721
Office	146,773.78	1,579,873
TOTAL	152,136.19	1,637,594

USE	GROSS RENTABLE AREA	
	sq.m.	sq.ft.
Retail	3,956.99	42,593
Office	113,822.46	1,225,185
TOTAL	117,779.45	1,267,778

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

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

PARTICULARS OF OCCUPANCY

Except Shop 5 with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower, the retail portion of the Property is let under six tenancies for various terms with the last expiry date in December 2016, yielding a total monthly rental income of approximately HK\$1.48 million exclusive of rates, management and air-conditioning charges. All these tenancies are subject to turnover rent. The average monthly turnover rent receivable from November 2012 to October 2013 is approximately HK\$44,000.

The office portion (including Shop 5) of the Property is let under various tenancies for various terms with the last expiry date in March 2021, yielding a total monthly rental income of approximately HK\$92.6 million exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.

The current occupancy rates of the retail and office portions are approximately 100% and 84.8% respectively.

A total of 500 carparks and 50 motorcycle parking spaces are being operated as a fee-paying public carpark and the remaining 58 carparks are occupied as private carparks and let under various licences. The total average monthly income from January to December 2013 is approximately HK\$1,118,000 inclusive of rates, management and utility charges.

Various spaces for cellular phone systems are let under three licences for various terms with the last expiry date in September 2015, yielding a total monthly licence fee of approximately HK\$70,000 exclusive of rates, management and utility charges.

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

MARKET VALUE IN EXISTING STATE AS AT 31 DECEMBER 2013

HK\$37,900,000,000

ESTIMATED NET PROPERTY YIELD

3.1%

Notes:

(1) The Property comprises the following portions:-

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

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

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

- (3) The portion of the Property held by Shine Hill Development Limited (see Note 2), except part of 3rd Floor and whole of 4th to 6th Floors of Citibank Tower, is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HK\$16,117,000,000 dated 26 April 2006.
- (4) The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HK\$860,000,000 dated 26 April 2006.
- (5) The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HK\$885,000,000 dated 26 April 2006.
- (6) The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HK\$363,000,000 dated 26 April 2006.
- (7) The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HK\$3,841,000,000 dated 26 April 2006.
- (8) The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HK\$604,000,000 dated 26 April 2006.
- (9) The portion of the Property held by Shine Hill Development Limited, except part of 3rd Floor and whole of 4th to 6th Floors of Citibank Tower, and the portion of the Property held by CP (Portion A) Limited are subject to a legal charge and debenture in favour of Hang Seng Bank Limited.
- (10) The portion of the Property held by Maple Court Limited is subject to a legal charge and debenture in favour of Oversea-Chinese Banking Corporation Limited.
- (11) The portions of the Property held by Panhy Limited, Well Charm Development Limited, CP (Portion B) Limited and Elegant Wealth Limited are subject to a legal charge and debenture in favour of The Hongkong And Shanghai Banking Corporation Limited.
- (12) The Property lies within an area zoned "Commercial" under Central District Outline Zoning Plan.
- (13) Pursuant to Occupation Permit No. H63/92 and a set of approved building plans of Citibank Plaza, each the 3rd Floor and the 4th Floor of Citibank Tower is mainly designated as a restaurant with kitchen. Nevertheless, in accordance with the specific instructions from the instructing party, we have valued the said portions of the Property on office use basis and have assumed all necessary approvals and licences have been obtained from the relevant Government authorities for office use.
- (14) The rentals reported herein are the total of the face rentals without taking into account any rent free periods or the turnover rents received, if any.
- (15) The notional breakdown of our valuation in respect of different uses is set out below:-

USE	MARKET VALUE AS AT 31 December 2013
Retail	HK\$441,000,000
Office	HK\$36,830,000,000
Carpark	HK\$329,000,000
Miscellaneous	HK\$300,000,000
TOTAL:	HK\$37,900,000,000

- (16) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (including Shop 5 but excluding the licensed miscellaneous areas) as at 31 December 2013 is set out below:-

Occupancy Profile

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	1,039,410	84.8
Vacant	186,157	15.2
TOTAL	1,225,567	100

Lease Commencement Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2004	105,436	10.1	7,854,982	8.5	2	2.1
2005	2,325	0.2	173,212	0.2	1	1.0
2007	2,572	0.3	191,614	0.2	1	1.0
2008	7,753	0.8	961,372	1.0	1	1.0
2010	245,467	23.6	18,028,483	19.5	6	6.1
2011	437,814	42.1	44,622,893	48.2	23	23.5
2012	105,434	10.1	9,831,992	10.6	31	31.6
2013	132,609	12.8	10,899,275	11.8	33	33.7
TOTAL	1,039,410	100	92,563,823	100	98	100

Lease Expiry Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2014	479,445	46.1	46,204,964	49.9	33	33.7
2015	132,250	12.7	12,863,449	13.9	29	29.6
2016	306,963	29.6	22,787,583	24.6	29	29.6
2017	84,431	8.1	7,855,470	8.5	4	4.1
2018	16,679	1.6	1,334,320	1.4	1	1.0
2019	5,548	0.5	453,937	0.5	1	1.0
2021	14,094	1.4	1,064,100	1.2	1	1.0
TOTAL	1,039,410	100	92,563,823	100	98	100

Lease Duration Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2	43,048	4.1	4,145,533	4.5	16	16.3
3	491,216	47.3	47,902,790	51.8	62	63.3
4	38,653	3.7	4,444,110	4.8	3	3.1
5	16,679	1.6	1,334,320	1.4	1	1.0
6	327,959	31.6	25,644,776	27.7	12	12.3
7	14,094	1.4	1,064,100	1.1	1	1.0
9	2,325	0.2	173,212	0.2	1	1.0
10	105,436	10.1	7,854,982	8.5	2	2.0
TOTAL	1,039,410	100	92,563,823	100	98	100

Note: The above tenancy profile includes a shop with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower but excludes 7 tenancy renewals for terms of 2 to 3 years commencing in the period between January 2014 to September 2014 and 1 committed new letting for a term of 3 years commencing in January 2014.

- (17) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding Shop 5 and the licensed miscellaneous areas) as at 31 December 2013 is set out below:-

Occupancy Profile

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	42,211	100.0
Vacant	0	0.0
TOTAL	42,211	100

Lease Commencement Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2012	1,482	3.5	186,732	12.7	1	16.7
2013	40,729	96.5	1,289,197	87.3	5	83.3
TOTAL	42,211	100	1,475,929	100	6	100

Lease Expiry Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2015	1,482	3.5	186,732	12.7	1	16.7
2016	40,729	96.5	1,289,197	87.3	5	83.3
TOTAL	42,211	100	1,475,929	100	6	100

Lease Duration Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
3	42,211	100.0	1,475,929	100.0	6	100.0
TOTAL	42,211	100	1,475,929	100	6	100

Note: The above tenancy profile excludes a shop with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower.

OFFICE MARKET OVERVIEW

SERVICES-SECTOR OFFICE DEMAND

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

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

OFFICE STOCK

Proximity to mainland China has benefited Hong Kong greatly with its ability to tap into the vast resources and population on its doorstep. According to the Rating and Valuation Department, Hong Kong's total office stock grew 3.5 times between 1980 and 2012.

At the end of 2012, Grade A office space (74.3 million sq. ft.) accounted for approximately 63% of all office stock, while the remaining 37% was accounted for by Grades B and C space.

Central is the central business district (CBD) of Hong Kong, and is also the centre of government. Central represents approximately 29% of total office stock of all grades and 27% of the total stock of Grade A offices. Central, together with the other traditional business districts of Wanchai/Causeway Bay and Tsim Sha Tsui, represented more than 52% of total Grade A office stock at the end of 2012.

RENTAL TRENDS

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

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

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

With the intensifying European debt crisis, slowing economic conditions and a weakening IPO pipeline in the second half of 2011, mainland companies were more hesitant to pay aggressive rents for prime Central spaces. Coupled with investment banks and fund houses either downsizing or at least halting expansion plans, Grade A office rents in Central fell by 11% from Q4/2011 to Q3/2013. Rents elsewhere (except Central) showed more resilience as this latest crisis is more financial-industry related, and aided by the robust retail sector and information technology sector looking for office space outside Central, and low vacancy levels, grade A office rents in the overall market grow by 5% over the same period.

PRICE TRENDS

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

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

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

Nevertheless, the gradual relaxation of macro economic controls in China, as well as the announcement of QE3 in mid-2012, injected renewed optimism into the property investment market, and overall Grade A office prices grew by 14% from Q4/2011 to Q1/2013, while Central, with its grim leasing market outlook and already high price levels, recorded a more moderate 4% increase over the same period based on Savills estimates.

Affected by a series of stamp duty policy measures and negative investment sentiment, Grade A office prices in Central fell by approximately 2.5% in the first three quarters in 2013 along side lack of investment interest in the area based on Savills estimates.

SUPPLY²

The Asian financial crisis in 1997 and a general lack of sites in core office locations acted to constrain development activity in the latter part of the 1990s and the supply of offices had fallen to low levels by 2000. The average supply of Grade A office space between 2001 and 2010 stood at 1.8 million sq. ft. per annum, significantly below the 1991 to 2000 average of 3.1 million sq. ft. per annum. Forecast supply of Grade A offices between 2014 and 2018 is expected to reach approximately 7.3 million sq. ft., or 1.5 million sq. ft. per annum, below the ten-year average supply of 1.8 million sq. ft. recorded between 2003 and 2012 and below the ten-year average take-up of 2.0 million sq. ft. per annum over the same period.

¹ Source: Rating and Valuation Department

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

New supply is expected to remain at low levels over the next few years, particularly for Grade A offices in the core areas of Central, Wanchai/Causeway Bay, Tsim Sha Tsui and the emerging Kowloon Station area. Grade A office supply in core areas between 2014 and 2018 is expected to reach approximately 1.7 million sq. ft., or 346,000 sq. ft. per annum, which is below the ten-year average take-up of 0.4 million sq. ft. per annum recorded between 2003 and 2012.

Land for office development in Central is scarce, and the recently completed LHT Tower (the redevelopment of Lok Hoi Tong Building) and 50 CRC (the redevelopment of Crocodile House I and II) are relatively small projects, providing only 133,700 sq. ft. net and 129,000 sq. ft. net respectively. The redevelopment of The Forum by Hongkong Land only provided another 49,438 sq. ft. net in 2013 and is already pre-leased to Standard Chartered Bank.

Expected Grade A office supply in Central from 2014 to 2018 included only one redevelopment project at 10–12 Queen's Road Central (113,267 sq. ft.), to be completed in 2015, will be entirely owner occupied.

It is noteworthy that most of the new supply (around 76% from 2014 to 2018 or 5.6 million sq. ft.) will come on-stream outside the core business districts, with the largest supply to be released in the Kowloon East area, which will total 3.3 million sq. ft. over the next five years.

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

VACANCY

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

During the global financial crisis, the vacancy rate in Central was recorded at a high of 7.5% in October 2009. Office stock was then absorbed by robust demand from mainland and international finance-related companies, helping to pull the vacancy rate down to 2.2% up to May 2011. With higher rental office costs in Central, tenants accelerated relocation plans and moved operating departments to non-core areas. This led to the office vacancy rate in Central rising to 5.3% in September 2012, while vacancy in the Central Grade AAA office sector also increased to an historical high of around 6% in the same month. Nevertheless, the revitalised stock and IPO markets have induced some rehiring in the financial sector since the last quarter of 2012, and vacancy rates of both overall Central and Grade AAA Central offices declined to 4.9% and 2.3% in November 2013 respectively³.

³ Source: Savills estimates

OUTLOOK

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

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

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

Looking ahead to 2014 we believe that the weakening economic outlook and policy measures by the government will temporarily give downward pressure to both Grade A office rents and prices, however, limited supply and low interest rates will provide continued support to both Grade A office rents and prices in this mild down cycle.



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Hong Kong
(the Trustee for Champion REIT)

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24 January 2014

Dear Sirs

RE: (1) HIGH BLOCK (EXCEPT HB CAF (AS DEFINED IN THE SUB-DEED OF MUTUAL COVENANT AFFECTING THE HIGH BLOCK DATED 8 JULY 2005) AND SUITES NOS. 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 AND 15 ON LEVELS 35, 36, 37 AND 55), 8 ARGYLE STREET, (2) RETAIL BLOCK, LANGHAM PLACE, 8 ARGYLE STREET, (3) CARPARK, 8 ARGYLE STREET AND 555 AND 557 SHANGHAI STREET, AND (4) RESERVED AREA, 8 ARGYLE STREET AND 555 AND 557 SHANGHAI STREET, MONG KOK, KOWLOON (“THE PROPERTY”)

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2013 (referred to as the “Valuation Date”) for accounting purposes.

BASIS OF VALUATION

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

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of Champion REIT and have carried out the valuation independently and impartially. Our valuation is prepared in accordance with Chapter 6.8 of the Code on Real Estate Investment Trust published by the Securities and Futures Commission of Hong Kong and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

VALUATION METHODOLOGIES

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

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

INCOME CAPITALIZATION

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

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

DIRECT COMPARISON

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

TITLE INVESTIGATIONS

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

VALUATION CONSIDERATION

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

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

We have inspected the exterior of the Property valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free of rot, infestation or any other structural defect. No tests were carried out to any of the services. Our inspection was undertaken by Mr. Victor Chow, MHKIS, on 2 January 2014.

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

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

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

We enclose herewith our valuation certificate and market overview.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 29 years experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

PROPERTY

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

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

DESCRIPTION AND TENURE

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

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

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

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

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

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

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

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

PARTICULARS OF OCCUPANCY

The office portion of the Property is let under various tenancies mostly for terms of two or three years with the last expiry date in July 2018 yielding a total monthly rental of approximately HK\$23.50 million exclusive of rates and management fees. One tenancy contains an option to renew for a further term at the then prevailing market rent.

The retail portion of the Property is let under various tenancies mostly for terms of two or three years with the last expiry date in November 2018 at a total monthly basic rent of approximately HK\$47 million exclusive of rates and management fees. Most of the tenancies are subject to turnover rent. The average monthly turnover rent receivable from December 2012 to November 2013 is about HK\$8.2 million.

The current occupancy rates of the office and retail portions are approximately 99% and 100% respectively.

The carpark is operated as a fee-paying public carpark let on monthly and hourly bases. The average total monthly income from December 2012 to November 2013 is approximately HK\$1,808,000.

Miscellaneous incomes are generated from lightboxes, signage spaces and other miscellaneous items at an average monthly total licence fee of approximately HK\$1,449,000 from January 2013 to December 2013.

MARKET VALUE IN EXISTING STATE AS AT 31 DECEMBER 2013

HK\$23,609,000,000

ESTIMATED NET PROPERTY YIELD

4.2%

Notes:

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

USE	MARKET VALUE AS AT 31 December 2013
Retail	HK\$15,723,000,000
Office	HK\$7,381,000,000
Carpark	HK\$288,000,000
Miscellaneous	HK\$217,000,000
TOTAL:	HK\$23,609,000,000

- (7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (excluding the licensed miscellaneous areas) as at 31 December 2013 is set out below:-

Occupancy Profile

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	696,195	99.0
Vacant	6,716	1.0
TOTAL	702,911	100

Lease Commencement Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2008	10,255	1.5	420,455	1.8	1	1.6
2010	96,873	13.9	3,389,846	14.4	5	7.9
2011	186,090	26.7	5,118,264	21.8	18	28.6
2012	84,874	12.2	2,964,786	12.6	15	23.8
2013	318,103	45.7	11,607,519	49.4	24	38.1
TOTAL	696,195	100	23,500,870	100	63	100

Lease Expiry Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2013	34,034	4.9	1,279,196	5.4	3	4.8
2014	231,009	33.2	6,612,769	28.1	22	34.9
2015	95,455	13.7	3,445,621	14.7	16	25.4
2016	314,173	45.1	11,329,831	48.2	19	30.1
2017	2,751	0.4	90,783	0.4	1	1.6
2018	18,773	2.7	742,670	3.2	2	3.2
TOTAL	696,195	100	23,500,870	100	63	100

Lease Duration Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
1	44,137	6.3	1,386,929	5.9	2	3.2
2	45,848	6.6	1,579,602	6.7	10	15.9
3	496,140	71.3	16,666,011	71	43	68.3
5	31,779	4.6	1,253,908	5.3	4	6.3
6	78,291	11.2	2,614,420	11.1	4	6.3
TOTAL	696,195	100	23,500,870	100	63	100

Note: The above tenancy profile excludes 8 tenancy renewals for terms of 1.7 to 6 years commencing in the period between January 2014 to May 2014 and 4 committed new lettings for terms of 3 to 7 years commencing in the period between January 2014 to September 2014.

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding the licensed miscellaneous areas) as at 31 December 2013 is set out below:-

Occupancy Profile

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	319,014	100.0
Vacant	54	0.0
TOTAL	319,068	100

Lease Commencement Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2004	44,740	14.0	720,000	1.5	1	0.5
2009	7,015	2.2	473,513	1.0	1	0.5
2010	47,441	14.9	4,333,594	9.2	10	5.0
2011	32,935	10.3	4,404,595	9.4	32	15.9
2012	74,595	23.4	12,315,074	26.2	65	32.3
2013	112,288	35.2	24,752,586	52.7	92	45.8
TOTAL	319,014	100	46,999,362	100	201	100

Lease Expiry Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2013	132	0.0	43,560	0.1	1	0.5
2014	115,240	36.1	9,119,602	19.4	65	32.3
2015	76,426	24	10,362,404	22	64	31.8
2016	69,526	21.8	13,794,985	29.4	61	30.4
2017	20,709	6.5	4,093,257	8.7	4	2.0
2018	36,981	11.6	9,585,554	20.4	6	3.0
TOTAL	319,014	100	46,999,362	100	201	100

Lease Duration Profile

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
1	2,590	0.8	448,186	1.0	6	3.0
2	17,402	5.5	2,745,133	5.8	44	21.9
3	125,198	39.2	23,005,619	49.0	123	61.2
4	49,413	15.5	4,849,808	10.3	15	7.4
5	79,671	25	15,230,616	32.4	12	6.0
10	44,740	14.0	720,000	1.5	1	0.5
TOTAL	319,014	100	46,999,362	100	201	100

Note: The above tenancy profile excludes 8 tenancy renewals for terms of 1 to 3 years commencing in the period between January 2014 to May 2014.

OFFICE MARKET OVERVIEW

SERVICES-SECTOR OFFICE DEMAND

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

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

OFFICE STOCK¹

Proximity to mainland China has benefited Hong Kong greatly with its ability to tap into the vast resources and population on its doorstep. According to the Rating and Valuation Department, Hong Kong's total office stock grew 3.5 times between 1980 and 2012.

At the end of 2012, Grade A office space (74.3 million sq. ft.) accounted for approximately 63% of all office stock, while the remaining 37% was accounted for by Grades B and C space.

Yau Ma Tei/Mong Kok is a decentralised business district in fringe Kowloon and is a popular office location for trading, consumer goods and insurance companies. Yau Ma Tei/Mong Kok represented approximately 8% of total office stock of all grades (9 million sq. ft.) and 5% of the total stock of Grade A offices (3.6 million sq. ft.) in 2012. Yau Ma Tei/Mong Kok, together with the other decentralised office areas of Island East, Kowloon East and Kowloon West², represented around 39% of total Grade A office stock at the end of 2012.

RENTAL TRENDS

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

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

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

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

With the intensifying European debt crisis, slowing economic conditions and weakening external export demands in the Eurozone and US in the second half of 2011, trading companies were facing another downturn in external trading. Nevertheless, the strong local retail demand has more than picked up the slack, with retailers actively looking for expansion space. As a result, according to Savills estimates, Grade A office rents rose by 4% from Q4/2011 to Q3/2013. On the other hand, rents in Yau Ma Tei/Mong Kok move in line with the overall market and rose by 3% over the same period.

PRICE TRENDS

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

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

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

Various measures have been implemented by the government since Q4/2012 to help curb speculation in the property market, including the Buyer's Stamp Duty and Double Stamp Duty, the latter being the first restrictive measure on the commercial market. Nevertheless, despite successfully suppressing transaction volumes, Grade A office prices have been moderate in the third quarter this year and recorded a growth of 7.4% from Q4/2012 to Q3/2013.

SUPPLY⁴

The Asian financial crisis in 1997, combined with a general lack of sites in core office locations, acted to constrain development activity in the latter part of the 1990s, and the supply of offices had fallen to low levels by 2000. The average supply of Grade A office space between 2001 and 2012 stood at 1.7 million sq. ft. per annum, significantly below the 1991 to 2000 average of 3.1 million sq. ft. per annum.

Looking ahead, the new supply of Grade A offices is expected to remain at low levels, particularly in the core areas of Central, Wanchai/Causeway Bay, Tsim Sha Tsui and the Yau Ma Tei/Mong Kok area. Grade A office supply in core areas between 2014 and 2018 is expected to reach approximately 1.7 million sq. ft., or 346,000 sq. ft. per annum, which is below the ten-year average take-up of 0.4 million sq. ft. per annum of core areas recorded between 2003 and 2012. Notably, none of the new supply will be in Yau Ma Tei/Mong Kok.

It is noteworthy that most of the new supply (around 76% from 2014 to 2018 or 5.6 million sq. ft.) will come on-stream outside the core business districts, with the largest supply to be released in the Kowloon East area, which will total 3.3 million sq. ft. over the next five years.

³ Source: Rating and Valuation Department

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

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

VACANCY

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

With the quick economic recovery starting in Q2/2009, tenants have been accelerating decentralisation plans, shifting operation departments from core districts to Kowloon East, Kowloon West and Mong Kok, which significantly helps to pull down vacancy rates in the decentralised areas. Vacancy rates recorded low levels of 2.5% in Kowloon West, 3.7% in Kowloon East and 3.2% in Mong Kok in November 2013.

OUTLOOK

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

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

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

RETAIL MARKET OVERVIEW

RETAIL STOCK

The total stock of private commercial premises⁶ in Hong Kong increased by 141% between 1980 and 2012, to total 117 million sq. ft. at the end of 2012⁷. Forty-one percent of private commercial stock is located in Kowloon while Hong Kong Island and the New Territories accounted for around 30% and 29% of the remaining commercial stock respectively, in 2012.

As the total stock of private commercial premises has increased over time, per capita stock⁸ has also risen along with increasing income levels. Per capita stock stood at 16.3 sq. ft. per person at the end of 2012, representing an increase of 6.4 sq. ft. per person since 1981.

⁵ Source: Savills estimates

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

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

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

Being a popular tourist spot as well as a retail and entertainment centre for locals, Yau Tsim Mong plays host to a number of high-profile shopping malls, including Harbour City, K11, i square, Grand Century Place and Langham Place. Total private commercial stock in the area amounted to 22.3 million sq. ft. at the end of 2012, representing 47% of total stock in Kowloon.

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

RENTAL TRENDS

The strong rebound in the local economy, as well as the implementation of the Individual Visit Scheme, induced a solid recovery in the retail market, with private retail rents increasing by around 40% from June 2003 to July 2008. During the financial crisis between Q3/2008 to Q2/2009, the global economic downturn hit local consumer confidence, with escalating unemployment rates and declining incomes. Retail sales, particularly in tourist areas, were adversely affected; private retail rents declined by 9% from the peak of Q3/2008 to April 2009, reflecting the short-term nature of the subdued retail sentiment. However, the robust tourist market and improving local consumer sentiment continued to support the growth of retail sales and rents. In addition, international brands have been establishing their flagship stores in tourist areas. Private retail rents recovered and rose by 57% up to October 2013, according to provisional figures from the Rating and Valuation Department.

PRICE TRENDS

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

With the availability of liquidity, a shortage of new supply and a positive investment sentiment in the retail sector, the retail investment market was very active from 2010 to 2012, aided by the QE3 by the US Federal Reserves in mid 2012, with private retail prices rising by 198% from April 2009 to the peak in July 2013. The latest cooling measures caused a blip in retail prices, which declined by 1.3% from July to October 2013.

SUPPLY¹⁰

Between 1980 and 2012, private commercial supply averaged approximately 1.9 million sq. ft. per annum. However, supply levels were significantly lower in the 2000s compared with the previous two decades. In 2006, shopping centre supply reached a recent peak when some 2.0 million sq. ft. was completed, including some larger scale malls such as Elements located in Tsim Sha Tsui and MegaBox located in Kowloon Bay.

Only 624,407 sq. ft. of major shopping centre supply is expected per year between 2014 and 2018, with the highest proportion of new centres located in the New Territories, representing 61% of total future supply.

All of the new shopping centres forecasted for completion by 2014 are small in scale, with GFAs of less than 130,000 sq. ft.. This is in comparison with some larger shopping centres, such as Hysan Place (400,000 sq. ft.) in Causeway Bay and V City (269,000 sq. ft.) in Tuen Mun which were completed in 2012.

⁹ Source: Rating and Valuation Department

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

In 2015, there will be one major retail development completed in Kowloon – Kowloon Development’s Ngau Chi Wan project – providing 686,426 sq. ft. of retail space. Retail space of the New World Centre redevelopment will be the spotlight in Tsimshatsui upon completion in 2018, however, the retail scale in this project is not yet determined. Notably, most of the large-scale shopping centre supply in the New Territories comprises the retail podiums of large residential estates.

TAKE-UP AND VACANCY

Take-up averaged approximately 1.4 million sq. ft. per annum between 1980 and 2012, while the vacancy rate averaged approximately 8.1% over the same period. Average take-up between 1980 and 1989, between 1990 and 1999, and between 2000 and 2009 stood at approximately 2.3 million sq. ft., 1.3 million sq. ft. and 827,000 sq. ft. respectively. Besides the maturing nature of the market, the falling take-up is also attributable to falling supply levels. The average take-up between 2003 and 2012 was 1.0 million sq. ft. per annum.

The negative take-up of retail space in 2008 is the result of demand contraction on the back of the global financial crisis, when a number of chain retailers closed in Hong Kong, including Tai Lam and U-Right, which both closed towards the end of that year. Vacancy rates increased to 8.7% in 2008 as a result. With strong tourism spending from mainlanders and international retailers occupying more retail space for flagship stores, the vacancy rate dropped to 6.9% in 2012.

OUTLOOK

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

The strong retail sector performance is no longer confined to core retail areas but has spread to non-core retail areas and is well supported by both local consumption and visitor spending, which both look set to remain strong in the near future. The recent global economic uncertainties (to which China has not been immune), have slowed the leasing market. However, the latest phase of Quantitative Easing in China should help to counter any weakness in aggregate demand which may result from the global economic slowdown.

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST

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

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009, the fourth supplemental deed dated 23 July 2010 and the fifth supplemental deed dated 13 March 2012 for the financial year ended 31 December 2013.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 24 February 2014

PRINCIPLES OF CORPORATE GOVERNANCE

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

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

Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the REIT Manager and Champion REIT throughout the year ended 31 December 2013.

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 Executive Director and Chief Executive Officer, Mr. Choo Chong Yao, Patrick, the Chief Investment Officer and Mr. Kwong Chi Kwong, the Chief Operating Officer are the responsible officers of the REIT Manager pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code. 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.

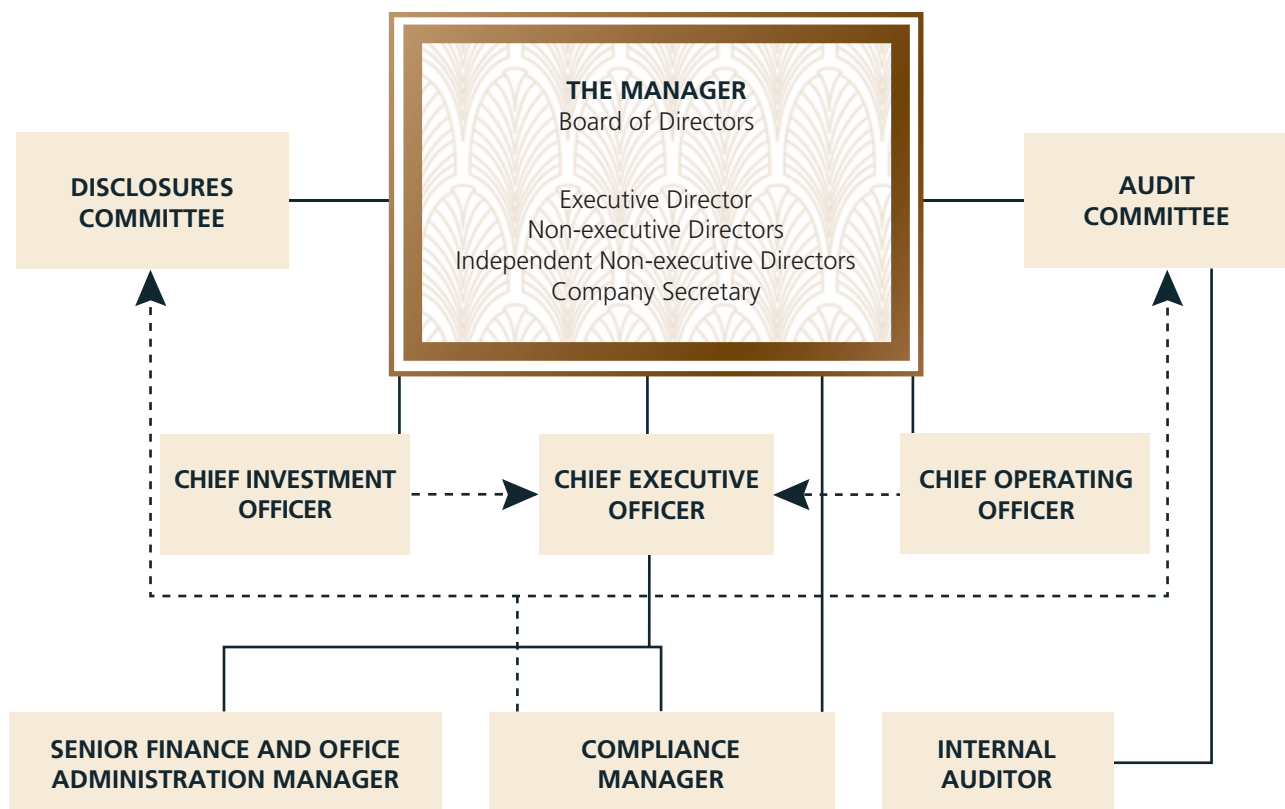
The properties of the Trust are managed by various operating entities, including the REIT Manager, the Property Manager, and the DMC/Estate Managers etc. Pursuant to the Property Management Agreement, Eagle Property Management (CP) Limited (the “Property Manager”) will provide property management services, lease management services and marketing services for the properties of Champion REIT located in Hong Kong on an exclusive basis subject to the overall management and supervision of the REIT Manager. The Property Manager has a team of well-experienced operational staff exclusively dedicated to providing property management services to Champion REIT.

ROLES OF THE TRUSTEE AND THE REIT MANAGER

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

ORGANISATION AND REPORTING STRUCTURE OF THE REIT MANAGER



FUNCTIONS OF THE BOARD OF DIRECTORS OF THE REIT MANAGER AND DELEGATION

BOARD COMPOSITION

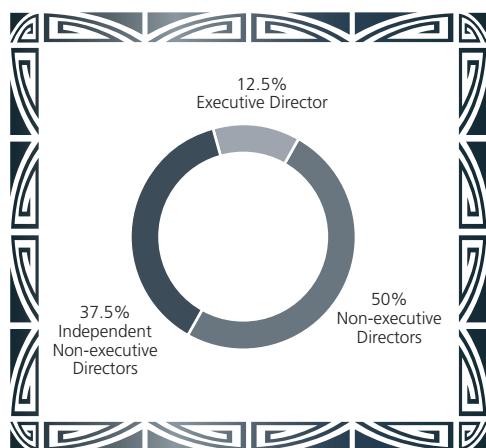
With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors. Appointments to the Board are on merit and against objective criteria and with due regard for the benefits of diversity. 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.

Key Principles in Determination of the Composition of the Board

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

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

The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 3 Independent Non-executive Directors). The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Lo Ka Shui who is a Non-executive Director. The Chief Executive Officer is Mr. Lee Ching Ming, Adrian who is an Executive Director. The composition of the Board of the REIT Manager during the year is set out below:



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

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

Independent Non-executive Directors
Cha Mou Sing, Payson
Ip Yuk Keung, Albert
Shek Lai Him, Abraham

The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. All Directors shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election in accordance with the articles of association of the REIT Manager.

In all corporate communications of Champion REIT, the composition of the Board of the REIT Manager is disclosed according to the categories and responsibilities of the Directors. Biographical details of the Directors are set out on pages 11 to 13 of this Annual Report and published on the Trust's website at www.ChampionReit.com.

Subsequent to publication of the 2013 Interim Report of Champion REIT, the REIT Manager received notifications regarding the following changes of Directors' information:

Mr. Ip Yuk Keung, Albert

- appointed as the Independent Non-executive Director, a member and the Chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of AEON Credit Service (Asia) Company Limited with effect from 19 September 2013
- appointed as the Independent Non-executive Director of Power Assets Holdings Limited with effect from 29 January 2014

Mr. Shek Lai Him, Abraham

- appointed as the Independent Non-executive Director and a member of the Audit Committee and Nomination Committee of Cosmopolitan International Holdings Limited with effect from 18 December 2013
- ceased to be the Independent Non-executive Director of Titan Petrochemicals Group Limited ("Titan") upon the expiry of his contract with Titan on 27 February 2014 and ceased to be a member of the Audit Committee, Remuneration Committee and Nomination Committee of Titan

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD RESPONSIBILITIES

The Board of the REIT Manager is responsible for ensuring that the REIT Manager discharges its duties under the Trust Deed, which include but not limited to managing the Trust in accordance with the Trust Deed in the sole interest of the Unitholders, ensuring sufficient oversight of the daily operations and financial conditions of the Trust when managing the Trust, and ensuring compliance with the licensing and authorisation conditions of the REIT Manager and the Trust and with any applicable laws, rules, codes or guidelines issued by government departments, regulatory bodies, exchanges or any other organisations regarding the activities of the Trust or its administration.

Day-to-day Operations

While the REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT, the Board of the REIT Manager reviews major financial decisions and the performance of the REIT Manager and Champion REIT, and is also responsible for the overall governance of the REIT Manager. The Board plays a central support and supervisory role in the corporate governance duties by regularly reviewing the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance, approving changes to governance policies in light of the latest statutory regime and international best practices, and reviewing disclosures in this Corporate Governance Report.

Reserved Matters

As set out in a schedule of reserved matters contained in the Compliance Manual, the Board of the REIT Manager exercises a number of reserved powers such as approval of distributions of Champion REIT to Unitholders, annual and interim reports of Champion REIT, material contracts not in the ordinary course of Champion REIT's business, any matter which would have a material effect on Champion REIT's financial position, liabilities, future strategy or reputation, and any changes to the corporate governance policy as contained in the Compliance Manual. While the Executive Director works full-time for the Trust and the REIT Manager, all the Non-executive Directors and the Independent Non-executive Directors have confirmed to the REIT Manager that they have given sufficient time and attention to the affairs of Champion REIT during the year ended 31 December 2013.

Business Review

Thorough and comprehensive management and financial updates are provided to all Board members on a quarterly basis to ensure each member is aware of the financial performance and position of the Trust and to facilitate informed decision making. If there are material matters worth the immediate attention of the Board members, the REIT Manager will provide the Directors with the necessary information in the form of exceptional reports. Also, additional information will always be provided to the Directors upon request. As part of the REIT Manager's commitment to best practices, monthly reports covering operating highlights of the Trust's business will be provided to the Directors starting from the year 2014 so as to keep the Directors informed of the state of the business and enable them to make proper response and follow up.

Independent Professional Advice

For the purposes of discharging their duties and responsibilities, the Board members may obtain independent professional advice at the REIT Manager's expense upon reasonable request. G. E. Secretaries Limited, the Company Secretary of the REIT Manager, is responsible for making all necessary arrangement. The Company Secretary of the REIT Manager comprises a team of qualified company secretarial professionals providing a full range of company secretarial support to the REIT Manager and its Directors. Senior management members of the REIT Manager maintain day-to-day contact with the Company Secretary to ensure the Company Secretary has knowledge of the affairs of the Trust. The Company Secretary reports to the Chairman of the Board and the Chief Executive Officer. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Induction

Each newly appointed Director will receive an induction pack to familiarise himself with the business and operations of Champion REIT and the legal framework under which Champion REIT is governed. The induction pack includes but not limited to the Trust Deed, REIT Code, Compliance Manual, Operations Manual, memorandum and articles of association of the REIT Manager, and recent publications of Champion REIT. The Company Secretary also provides all Directors with materials from time to time to keep them abreast of the latest developments in the industry and the legal framework that are relevant to the affairs of Champion REIT.

Insurance

During the year ended 31 December 2013, appropriate directors' and officers' liabilities insurance and professional indemnity insurance have been arranged in respect of legal action against the Directors and officers of the REIT Manager and the provision of professional services by the REIT Manager to the Trust.

BOARD AND BOARD COMMITTEE MEETINGS

Directors make fruitful contribution by attending meetings and sharing views, advice and experience on matters material to the Trust's affairs, with the common goal of further enhancing the interests of the Trust and the Unitholders. Board meetings of the REIT Manager are held regularly at least four times a year at approximately quarterly intervals. Proposed dates of the regular Board and Board Committee meetings for each new calendar year are set out in a schedule and notified to all Board members before the beginning of the year concerned with a view to facilitating their attendance. Additional meetings are convened as and when circumstances warrant.

Proceedings of the Board and Board Committees

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

The attendance of individual Directors and committee members in 2013 is set out in the table below:

MEMBER	NO. OF MEETINGS ATTENDED/ NO. OF MEETINGS HELD		
	BOARD MEETING	AUDIT COMMITTEE MEETING	DISCLOSURES COMMITTEE MEETING
No. of Meetings held in the year	4	2	2
<i>Non-executive Directors</i>			
Lo Ka Shui (<i>Chairman</i>)	4/4	2/2	2/2
Cheng Wai Chee, Christopher	4/4	–	–
Ho Shut Kan	4/4	–	–
Lo Kai Shui	2/4	–	–
ATTENDANCE RATE	88%	100%	100%
<i>Executive Director</i>			
Lee Ching Ming, Adrian (<i>Chief Executive Officer</i>)	4/4	–	2/2
ATTENDANCE RATE	100%	–	100%
<i>Independent Non-executive Directors</i>			
Cha Mou Sing, Payson	4/4	–	–
Ip Yuk Keung, Albert	4/4	2/2	–
Shek Lai Him, Abraham	4/4	2/2	2/2
ATTENDANCE RATE	100%	100%	100%
OVERALL ATTENDANCE RATE	94%	100%	100%

DELEGATION

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

Audit Committee

The REIT Manager established an Audit Committee and adopted the terms of reference on 28 March 2006. The written terms of reference of the Audit Committee are available upon request. The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. During the year, two formal meetings between the Chairman of the Audit Committee and the Internal Auditor were held without the presence of the management of the REIT Manager.

Audit Committee's Principal Responsibilities

The principal duties of the Audit Committee are as follows:

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

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

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

Audit Committee Meetings held in 2013

During the financial year ended 31 December 2013, two physical meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee at these meetings:

- ◆ reviewed the Reports of the Internal Auditor;
- ◆ reviewed the audited financial statements for the year ended 31 December 2012 and the unaudited financial statements for the six months ended 30 June 2013;
- ◆ reviewed the Reports from the External Auditor;
- ◆ considered and recommended to the Board on the re-appointment of External Auditor and approved the terms of engagement;
- ◆ reviewed the legal and regulatory compliance matters for the year ended 31 December 2012 and for the six months ended 30 June 2013, which included, among others, the Reports on Connected Party Transactions;
- ◆ reviewed and approved the 2013 Interim Report and Interim Results Announcement for the six months ended 30 June 2013 and 2012 Annual Report and Final Results Announcement for the year ended 31 December 2012; and
- ◆ reviewed and approved the annual budget/forecasts and annual business plan prepared by the REIT Manager for Champion REIT.

Disclosures Committee

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

Disclosures Committee's Principal Responsibilities

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

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

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

Disclosures Committee Meetings held in 2013

During the financial year ended 31 December 2013, two physical meetings of the Disclosures Committee were held, and four separate written resolutions were passed by all members of the Disclosures Committee. The following is a summary of the major work done of the Disclosures Committee during the year 2013:

- ◆ reviewed and approved the 2013 Interim Report of Champion REIT for the six months ended 30 June 2013 and announcements in relation to the 2013 interim results, the payment of Manager's fee in cash and Units and the interim distribution;
- ◆ reviewed and approved the 2012 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2012, the payment of Manager's fee in cash and Units and the final distribution;
- ◆ reviewed and approved the draft Circular to Unitholders in relation to the General Mandate to Repurchase Units of Champion REIT and the Notice convening the 2013 Annual General Meeting;
- ◆ reviewed and approved the draft announcement and Circular to Unitholders in relation to (1) Extension of Existing Connected Party Transaction Waiver and Proposed New Annual Caps for Certain Connected Party Transactions and (2) Notice of Extraordinary General Meeting and Unitholder Register Closure;
- ◆ reviewed and approved the draft announcements in relation to the acquisition of a portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower and the completion of the said acquisition; and
- ◆ reviewed and approved the draft announcement and formal notice in relation to the issue of notes under the U.S.\$1,000,000,000 Guaranteed Medium Term Note Programme.

DISCLOSURE ON REMUNERATION

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

Pursuant to the announcement of Champion REIT dated 30 November 2012 in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 50% of the Manager's Fee arising from the real estate currently owned by Champion REIT for the financial year 2013 in the form of Units and the remaining 50% in cash. The Manager's Fee for the year ended 31 December 2013 amounted to HK\$209,736,000, being 12% of the net property income of Champion REIT for such services rendered during the year.

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

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

MANAGEMENT OF BUSINESS RISK

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

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team comprises the Chief Executive Officer, the Chief Investment Officer, the Chief Operating Officer, the Senior Finance and Office Administration Manager, the Compliance Manager and the Internal Auditor. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing among the team members. In 2013, twelve meetings were held by the management team.

WHISTLE-BLOWING

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

CONFLICTS OF INTERESTS AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED

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

Business Competition

Great Eagle, headquartered in Hong Kong, is engaged principally in the development, management and investment in the high quality office, retail, residential and hotel properties in Asia, Australia, North America and Europe. There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things, investment in, and the development and management of, properties in the office, retail, residential and hotel sectors in Hong Kong and overseas.

Conflict of Interest

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

Estate Management Services

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

Leasing & Marketing

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

Approval by Independent Unitholders

At the extraordinary general meeting (the "EGM") of Champion REIT held on 10 December 2013, independent Unitholders approved (1) the waiver extension in respect of the connected party transactions between Champion REIT and Great Eagle Connected Persons Group and between Champion REIT and SFK Connected Persons Group; and (2) the new annual caps of certain connected party transactions for the years ending 31 December 2014, 31 December 2015 and 31 December 2016, and approximately 99.99% of the votes were cast in favour of the said matters at the EGM. On the same day, the SFC granted to Champion REIT the waiver extension, subject to various terms and conditions. Details of the waiver extension and the new annual caps were described in the circular to Unitholders dated 21 November 2013 and the announcement in respect of the poll results of the EGM dated 10 December 2013.

Procedures to deal with Conflicts of Interests

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

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

REPORTING AND TRANSPARENCY

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

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

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the external auditor of Champion REIT amounted to HK\$1,930,000 (2012: HK\$1,800,000) for audit and audit related services, and HK\$560,000 (2012: HK\$1,040,000) for non-audit services.

GENERAL MEETINGS

Attendance

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The 2013 annual general meeting of Champion REIT was held on 2 May 2013; Dr. Lo Ka Shui (Chairman of the Board of Directors), Mr. Lo Kai Shui, Mr. Lee Ching Ming, Adrian (Chairman of the Disclosures Committee), Mr. Ip Yuk Keung, Albert (Chairman of the Audit Committee) and Mr. Shek Lai Him, Abraham attended the meeting, and the external auditor was also available at the meeting to answer any questions raised by the Unitholders in respect of the audit. As mentioned under the section headed "Conflicts of Interests and Business Competition with Great Eagle Holdings Limited", an EGM was held on 10 December 2013; Dr. Lo Ka Shui (Chairman of the Board of Directors), Mr. Lo Kai Shui, Mr. Lee Ching Ming, Adrian and Mr. Shek Lai Him, Abraham (member of the Independent Board Committee) attended the EGM, and the Independent Financial Adviser also sent representatives to the meeting to answer Unitholders' questions regarding the waiver extension.

Notice

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

Quorum

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

Voting

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

Poll Vote

At any meeting, a resolution put to the meeting shall be decided on a poll, except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder provided that such Units are fully paid up. Votes cast by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted.

On a poll, votes may be given either personally or by proxy. The form of the instrument of proxy used shall be in accordance with the form illustrated in the Trust Deed or in any other form which the Trustee shall approve. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders. A person so authorised shall have the same rights and powers as if he were an individual Unitholder.

Proceedings of General Meetings

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

COMMUNICATION WITH UNITHOLDERS

Maintaining timely, mutual and effective communication with Unitholders and the investment community about corporate strategy, business development and prospects is an important priority for Champion REIT. A timeline of significant events setting out the important dates for Champion REIT and the Unitholders is provided on page 2 of this Annual Report as a quick reference. The REIT Manager meets existing and potential investors, financial analysts and media at one-on-one group meetings, local and overseas conference and roadshows regularly. Analyst briefings and investor meetings were held during the year.

To ensure efficient communication, all corporate communications of Champion REIT, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant information, are available on the website of Champion REIT at www.ChampionReit.com. Investors and Unitholders may visit the website for details of the recent press release and results announcement presentation.

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Unitholders, Champion REIT has provided Unitholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of Champion REIT for the information or action of Unitholders as defined in Rule 1.01 of the Listing Rules) by electronic means through Champion REIT's website or in printed form since 2012.

In accordance with the Operations Manual, it is an on-going responsibility of the Chief Investment Officer to receive and handle investor comments/feedback. All comments/feedback and complaints about Champion REIT from an investor's perspective must be recorded in a register. Sufficient details of the person who made the comments/feedback and the measures to deal with the request must be recorded. When recording the comments/feedback, the next critical date in the comments/feedback handling procedure must be noted and adhered to, until the relevant matter has been resolved. The Directors will be kept informed at the Board meetings of the complaints being made (if any), the procedures being used to handle the complaints, and any remedial action taken or proposed to be taken. Any trends will be identified.

Investors and Unitholders may at any time direct their enquiries about the Trust to the Board by writing to the REIT Manager's office in Hong Kong at Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong or by email to info@eam.com.hk.

DISTRIBUTION

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. The effective payout ratio for the year ended 31 December 2013 is 94.5%.

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

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

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

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

ISSUE OF FURTHER UNITS POST-LISTING

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

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

PLUS

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

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

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

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

- (a) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (b) Units are issued to a Connected Person under Clause 11.1.1 of the Trust Deed in or towards the satisfaction of the REIT Manager's fees; or
- (c) Units and/or Convertible Instruments are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units and/or Convertible Instruments to or with any person(s) who is/are not its associate(s) (other than any Excluded Associate (as defined in the Trust Deed)), provided always that (i) the new Units and/or Convertible Instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of the placing); and (ii) the number of Units and/or Convertible Instruments issued to the Connected Person must not exceed the number of Units and/or Convertible Instruments placed by it; or
- (d) the Connected Person is acting as underwriter or sub-underwriter of an issue or offer of Units or other securities by or on behalf of the Trust or any Special Purpose Vehicle, provided that:
 - (i) the issue or offer is made under and in accordance with Clause 7.1.5 under the Trust Deed; and

- (ii) the issue or offer is in compliance with any applicable provisions of the Listing Rules governing the acting of a connected person as an underwriter or sub-underwriter, as if the provisions (with necessary changes being made) were applicable to real estate investment trusts; or
- (e) the excess application and the taking up of pro rata entitlements by the Connected Person in respect of a pro rata issue of Units and/or Convertible Instruments under Clause 7.1.5 of the Trust Deed or an open offer by the Trust; or
- (f) Units are issued to a Connected Person pursuant to a reinvestment of distribution in accordance with Clause 20.9 under the Trust Deed.

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

NEW UNITS ISSUED

As at 31 December 2013, the total number of issued Units of Champion REIT was 5,713,864,647. As compared with the position of 31 December 2012, a total of 42,504,244 new Units were issued during the year.

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) 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
23 Aug 2013	Issue of new Units to the REIT Manager at the price of HK\$3.441 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$51,509,900 payable by Champion REIT for the six months ended 30 June 2013.	14,969,460
31 Dec 2013	NUMBER OF ISSUED UNITS	5,713,864,647

INTERNAL CONTROLS

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

The Board is responsible for reviewing the effectiveness of the systems of internal control on an annual basis through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. Through the Audit Committee and the Internal Auditor, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2013. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

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

Based on the results of the internal audit reviews for the year ended 31 December 2013 and the assessment of the Audit Committee thereon, the Board considers that the internal control systems are effective and adequate. No significant irregularity or deficiency in internal controls that may affect Unitholders' investment and the Trust's assets were identified.

INTEREST OF, AND DEALINGS IN UNITS BY, DIRECTORS, THE REIT MANAGER OR THE SIGNIFICANT UNITHOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the "Governing Code") governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to this Governing Code, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. The Governing Code also extends to senior executives and officers of the REIT Manager. Specific enquiry has been made with the REIT Manager's Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Governing Code throughout the year ended 31 December 2013.

Directors who are in possession of, aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any unpublished inside information must refrain from dealing in the Units as soon as they possess, become aware of or privy to such information until proper disclosure of the information in accordance with the REIT Code and any applicable provisions of the Listing Rules. Directors who are privy to relevant negotiations or agreements or any inside information should caution those Directors who are not so privy that there may be unpublished inside information and that they must not deal in Champion REIT's securities until proper disclosure of information has been made.

The REIT Manager has also adopted procedures for the monitoring of disclosure of interests by the Directors, the Chief Executive Officer of the REIT Manager, and the REIT Manager, to whom the provisions of Part XV of the SFO shall apply.

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

BUY-BACK, SALE OR REDEMPTION OF CHAMPION REIT'S SECURITIES

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 2 May 2013. During the year ended 31 December 2013, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had bought back, 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 buy-back, sale or redemption of Champion REIT's securities by the REIT Manager or the special purpose vehicles of the Trust during the year ended 31 December 2013.

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.

COMPLIANCE WITH COMPLIANCE MANUAL

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

PUBLIC FLOAT

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

REVIEW OF ANNUAL REPORT

The annual report of Champion REIT for the year ended 31 December 2013 has been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2013. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2013 have been audited by the Independent Auditor, Messrs. Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of Champion REIT for the year ended 31 December 2013 is set out in the Independent Auditor's Report.

Hong Kong, 24 February 2014

CONNECTED PARTY TRANSACTIONS REPORT

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 12 months ended 31 December 2013 ("Year").

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 YEAR HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	394,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	3,000,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	10,589,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Leasing transaction ⁴	4,031,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	7,477,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	5,306,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	50,000
China Mobile Hong Kong Company Limited	Associate of a Director ⁷	Licence fee ⁸	234,000
TOTAL			31,081,000¹⁰

CONNECTED PARTY TRANSACTIONS – BUILDING MANAGEMENT FEE INCOME (REVENUE)

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	INCOMES FOR THE YEAR HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	364,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	1,563,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Building management fee income ⁴	606,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁵	3,508,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁶	600,000
TOTAL			6,641,000¹⁰

CONNECTED PARTY TRANSACTIONS – ESTATE MANAGEMENT TRANSACTIONS (EXPENDITURES)

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	EXPENSES FOR THE YEAR HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,215,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,335,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	5,417,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	81,160,000 ⁹
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	8,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Marketing expense	27,000
Grow On Development Limited	Subsidiary of Great Eagle ³	Marketing expense	33,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	145,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Repair and maintenance services	31,000
TOTAL			89,371,000¹⁰

Notes:

1. A security deposit by way of a bank guarantee of approximately HK\$859,000 provided by Eagle Property Management (CP) Limited was held by the Trust as at the Year end date.
2. A security deposit by way of a bank guarantee of approximately HK\$3,133,000 provided by Langham Hotels International Limited was held by the Trust as at the Year 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 57.72% interests in Langham as at the Year end date. Accordingly, Langham, LP Hotel (HK) and Grow On were indirect subsidiaries of Great Eagle.
4. A security deposit of approximately HK\$1,351,000 provided by Langham Place Hotel (HK) Limited was held by the Trust as at the Year 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 Year end date.
6. A security deposit of approximately HK\$1,408,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Year 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 Year end date.
9. Out of this HK\$81,160,000, approximately HK\$78,787,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$2,373,000 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.
10. The annual value of the Connected Party Transactions were within the respective annual limits set out in the following table as approved by the unitholders in the Extraordinary General Meeting held on 15 December 2010:-

	ANNUAL LIMIT FOR THE YEAR ENDING 31 DECEMBER 2013 HK\$
<hr/>	
I. Revenue	
Rental income	83,856,000
Building management fee	10,208,000
Total:	94,064,000
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II. Expenditure	
Estate management transactions	94,010,000
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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 YEAR HK\$
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	78,787,000
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	2,373,000

OTHER PRE-EXISTING AGREEMENTS AND OTHER TRANSACTIONS SUBJECT TO REPORTING REQUIREMENTS UNDER PARAGRAPH 8.14 OF THE REIT CODE

NAME/DESCRIPTION OF AGREEMENT	NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	INCOMES/EXPENSES FOR THE YEAR HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	2,325,000
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	34,199,000
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	84,998,000
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	141,613,000 ⁴

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the Year end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Year end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Citibank Plaza as at the Year end date. Out of this HK\$16,384,000, approximately HK\$818,000 represented the amount of building management fee deposit paid after the acquisition of the portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower during the Year.
4. Out of this HK\$141,613,000, approximately HK\$109,383,000 represented the amount of building management fee paid under the DMC for Citibank Plaza and remaining amount of approximately HK\$32,230,000 represented the amount of building management fee contribution for chiller replacement at Citibank Plaza.

OTHER CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

REIT MANAGER'S FEE

Eagle Asset Management (CP) Limited, a wholly owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee of approximately HK\$209,736,000 being the 12% of the net property income of Champion REIT for such services rendered during the Year is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

The REIT Manager has notified 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 12-month financial period ended 31 December 2013, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$104,868,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$104,868,000.

ACQUISITION FEE

Pursuant to the Trust Deed, an acquisition fee of approximately HK\$21,553,000 being 1% of the consideration for the acquisition of the portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower (the "Acquisition") was paid to the REIT Manager in cash after completion of the Acquisition by Champion REIT.

CONNECTED PARTY TRANSACTIONS WITH THE TRUSTEE AND/OR THE TRUSTEE CONNECTED PERSONS GROUP

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

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

HSBC Group means The Hongkong and Shanghai Banking Corporation Limited ("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 YEAR HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	2,668,000
HSBC Group	Trustee Connected Persons	Bank charge	100,000
HSBC ¹	Trustee Connected Persons	Loan interest/expense	36,464,000
Hang Seng ²	Trustee Connected Persons	Loan interest/expense	127,843,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swaps contracts with HSBC during the Year. The total notional amount in respect of such swap contracts with HSBC was US\$400,000,000 as at 31 December 2013.

On 25 June 2013, Trump Treasure Limited (a special purpose vehicle wholly owned and controlled by Champion REIT) concluded a HK\$2,500 million term loan and revolving credit facilities, which, among others, include HSBC and Hang Seng Bank Limited (“Hang Seng”). Hang Seng is also the agent of the finance banks for this loan facility. The outstanding balance due to this syndicated loan was HK\$2,200 million as at 31 December 2013.

CONNECTED PARTY TRANSACTIONS – LEASING/LICENSING TRANSACTIONS

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	INCOMES FOR THE YEAR HK\$
HSBC	Trustee Connected Persons	Leasing transaction ³	11,305,000
HSBC	Trustee Connected Persons	Building management fee income ³	1,409,000
Hang Seng	Trustee Connected Persons	Leasing transaction	82,000
Hang Seng	Trustee Connected Persons	Building management fee income	13,000
TOTAL			12,809,000

Notes:

1. HSBC is the lender of the term loan of HK\$1,900 million which was drawn down on 8 July 2013 and outstanding as at 31 December 2013.
2. Hang Seng is a subsidiary of HSBC. It acts as the facility agent for (i) the term loan of HK\$7,000 million which was outstanding as at 31 December 2013; (ii) the term loan and revolving credit facilities of HK\$2,954 million (which was repaid on 28 June 2013); and (iii) the term loan and revolving credit facilities of HK\$2,500 million (of which HK\$2,200 million term loan was drawn down on 28 June 2013 and outstanding as at 31 December 2013). Syndicates of lenders of both facilities include Hang Seng and HSBC.
3. A security deposit in an aggregate amount of approximately HK\$1,275,000 provided by the HSBC Group was held by the Trust as at the Year end date.

CONNECTED PARTY TRANSACTIONS – LEASING/LICENSING TRANSACTIONS WITH ANY MEMBER OF HSBC GROUP UNDER WHICH THE ANNUAL RENT EXCEEDS HK\$1 MILLION

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	MATERIAL TERMS	ANNUAL RENT HK\$
HSBC	Trustee Connected Persons	Lease for the whole of 20th and 21st Floors of Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 March 2010 to 28 February 2013	31,501,000
HSBC	Trustee Connected Persons	Lease for the whole of Level 18, Office Tower, Langham Place, 8 Argyle Street and 555 Shanghai Street, Mongkok, Kowloon.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 April 2011 to 31 March 2014	6,055,000

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 a HK\$1,900 million 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 Year, the trustee fee of approximately HK\$10,634,000 (inclusive of the additional fees of HK\$100,000 for duties undertaken by the Trustee in relation to the Acquisition which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of Champion REIT's normal day-to-day business operations) had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

During the Year, an amount of approximately HK\$3,276,000 in aggregate was rendered for services to the Trust by Savills Valuation and Professional Services Limited ("Savills") and its connected persons. Among these, approximately HK\$349,000 was the valuation fee incurred for services rendered by Savills in its capacity as the principal valuer of Champion REIT.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE REIT MANAGER

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

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

REPORT FROM AUDITOR OF CHAMPION REIT

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

Hong Kong, 24 February 2014

DISCLOSURE OF INTERESTS

HOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OF THE REIT MANAGER, THE REIT MANAGER AND SUBSTANTIAL UNITHOLDERS

As at 31 December 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 ⁷	NUMBER OF UNDERLYING UNITS HELD ⁷	TOTAL	PERCENTAGE OF ISSUED UNITS ⁸
Directors and Chief Executive of the REIT Manager				
Lo Ka Shui	3,456,243,418	37,659,666	3,493,903,084 ¹	61.15
Cheng Wai Chee, Christopher	13,424,730	–	13,424,730 ⁴	0.23
Lee Ching Ming, Adrian	273,250	–	273,250 ⁵	0.00
REIT Manager				
Eagle Asset Management (CP) Limited	276,842,053	–	276,842,053	4.85
Substantial Unitholders				
Great Eagle Holdings Limited	3,448,143,418	37,659,666	3,485,803,084 ²	61.01
HSBC International Trustee Limited	3,434,658,017 ³	51,174,151 ³	3,485,832,168	61.01
Top Domain International Limited	1,420,416,628	–	1,420,416,628	24.86
Keen Flow Investments Limited	913,580,933	–	913,580,933	15.99
Bright Form Investments Limited	680,232,558	–	680,232,558	11.90
HKSCC Nominees Limited	2,333,477,925	–	2,333,477,925 ⁶	40.84

Notes:

- Among these 3,493,903,084 Units, 1,660,000 Units and 240,000 Units were respectively held by Katherine B L Limited and Elizabeth B K Limited, both of which are 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 3,485,803,084 Units were the same parcel of Units held by Great Eagle Holdings Limited ("Great Eagle") as mentioned in Note 2 below. Dr. Lo Ka Shui is the Chairman and Managing Director and a substantial shareholder of Great Eagle holding 21.64% voting right in its share capital as at 31 December 2013.
- The 3,485,803,084 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;
 - 276,842,053 Units held by Eagle Asset Management (CP) Limited directly;
 - 133,385,169 Units (of which 37,659,666 Units are underlying Units, being derivative interests derived from physically settled unlisted derivatives) held by Fine Noble Limited directly; and
 - 61,345,743 Units held by Great Eagle Nichemusic Limited directly.

Save for the number of Units held by Eagle Asset Management (CP) Limited increased by 14,969,460 Units, the number of Units held by Fine Noble Limited increased by 81,147,000 Units and 37,659,666 underlying Units and the number of Units held by Great Eagle Nichemusic Limited increased by 38,340,000 Units, the unitholdings of the remaining 3 companies as listed in items (a), (b) and (c) above remained unchanged when compared to the position as at 30 June 2013.

3. The 3,434,658,017 Units and 51,174,151 underlying Units (being derivative interests derived from physically settled unlisted derivatives) held by HSBC International Trustee Limited ("HITL") disclosed in the above table was based on the information contained in the Disclosure of Interest Form (with the date of relevant event as 12 December 2013) received from HITL before the year end date.
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 33.11% interests in Great Eagle as at 31 December 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 discretionary 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 21.64% voting rights in the capital of Great Eagle as at 31 December 2013.
4. These Units were held by a trust of which Mr. Cheng Wai Chee, Christopher is a beneficiary. The unitholdings of Mr. Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 30 June 2013.
5. The number of Units held by Mr. Lee Ching Ming, Adrian remained unchanged as compared with the position as at 30 June 2013.
6. As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. As at 30 June 2013, HKSCC Nominees Limited held 2,352,519,070 Units.
7. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.
8. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,713,864,647 as at 31 December 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 July 2013 to 31 December 2013. Besides, as at 31 December 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 31 December 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	–	163,936,151 ¹	2.87
HSBC Group	5,322,483	–	5,322,483 ²	0.09
Savills Valuation and Professional Services Limited ³	–	–	–	0.00

Notes:

1. These Units were directly held by Fortune Mega Investments Limited. Its intermediate holding companies, Julian Holdings Limited, Kerry Properties Limited, Kerry Properties (Hong Kong) Limited and Spring Capital Holdings Limited, were deemed to be interested in the same parcel of Units. Each of them was a connected person by virtue of being an associate of Mr. Ho Shut Kan (a director of the REIT Manager). Their unitholdings remained unchanged as compared with the position as at 30 June 2013.

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 which were held by its holding company, controlling entities, subsidiaries and associated companies (as defined in the REIT Code) of the Trustee. No 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 2,785,000 Units as compared with the position 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 not interested in any Units as at 31 December 2013, whereas it was deemed to be interested in 4,000 Units which were held by an associated director as at 30 June 2013.
4. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,713,864,647 as at 31 December 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 July 2013 to 31 December 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 is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham"). As at 31 December 2013, Great Eagle owned 60.35% interests (excluding the 37,659,666 underlying Units indirectly held by Great Eagle (as mentioned in Note 2 on page 98) as the same did not confer voting rights) in Champion REIT and 57.72% interests 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 31 December 2013 are disclosed as follows:

GREAT EAGLE

Dr. Lo Ka Shui had a personal interest in 55,659,886 shares, 1,141,390 underlying shares and 1,258,000 share options and a corporate interest in 3,668,806 shares of Great Eagle as at 31 December 2013. He is the founder of a discretionary trust which owned 79,009,153 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 211,695,169 shares in Great Eagle as at 31 December 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 31 December 2013. He is also a discretionary beneficiary of a discretionary trust which owned 211,695,169 shares in Great Eagle as at 31 December 2013.

Mr. Lee Ching Ming, Adrian had a personal interest in 57,110 shares and 306,000 share options of Great Eagle as at 31 December 2013.

LANGHAM

Dr. Lo Ka Shui was deemed to be interested in 1,155,180,932 share stapled units of Langham held by Great Eagle as at 31 December 2013 by virtue of being a substantial shareholder, the Chairman and Managing Director of Great Eagle.

Mr. Lee Ching Ming, Adrian had a personal interest in 10,000 share stapled units of Langham as at 31 December 2013.



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Deloitte.

德勤

To the Unitholders of Champion Real Estate Investment Trust

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

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 104 to 151, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2013 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

24 February 2014

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Rental income	8	1,961,381	1,863,443
Building management fee income		190,184	172,817
Rental related income	9	27,703	22,754
Total revenue		2,179,268	2,059,014
Property operating expenses	10	(431,466)	(393,214)
Net property income		1,747,802	1,665,800
Interest income		13,681	7,231
Manager's fee	11	(209,736)	(199,896)
Trust and other expenses		(20,707)	(21,147)
Increase in fair value of investment properties	17	808,988	3,435,451
Change in fair value of derivative components of convertible bonds	23	308,236	(192,663)
Gain on settlement of convertible bonds	23	29,302	–
Gain relating to convertible bonds converted in conjunction with exchange offer	23	–	90,107
Finance costs	12	(342,700)	(404,703)
Profit before tax and distribution to unitholders	13	2,334,866	4,380,180
Income taxes	14	(136,212)	(220,229)
Profit for the year, before distribution to unitholders		2,198,654	4,159,951
Distribution to unitholders		(1,201,226)	(1,186,217)
Profit for the year, after distribution to unitholders		997,428	2,973,734
Basic earnings per unit	15	HK\$0.39	HK\$0.80
Diluted earnings per unit	15	HK\$0.30	HK\$0.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
Profit for the year, after distribution to unitholders	997,428	2,973,734
Other comprehensive expense:		
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	(41,833)	–
Reclassification of fair value adjustments to profit or loss	(3,081)	–
	(44,914)	–
Total comprehensive income for the year	952,514	2,973,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Investment properties	17	61,509,000	58,297,000
CURRENT ASSETS			
Trade and other receivables	18	185,352	196,247
Tax recoverable		63,634	1,257
Bank balances and cash	19	1,066,437	1,397,082
Total current assets		1,315,423	1,594,586
Total assets		62,824,423	59,891,586
CURRENT LIABILITIES			
Trade and other payables	20	1,328,295	1,167,146
Deposits received		463,122	426,356
Tax liabilities		11,437	120,828
Distribution payable		631,026	608,833
Secured bank borrowings	21	6,993,085	2,452,646
Convertible bonds	23	–	3,051,344
Total current liabilities		9,426,965	7,827,153
NON-CURRENT LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Secured bank borrowings	21	4,563,396	7,472,192
Medium term note	22	3,065,494	–
Derivative financial instruments	24	41,833	–
Deferred tax liabilities	25	362,775	340,041
Total non-current liabilities, excluding net assets attributable to unitholders		8,033,498	7,812,233
Total liabilities, excluding net assets attributable to unitholders		17,460,463	15,639,386
Net assets attributable to unitholders		45,363,960	44,252,200
Number of units in issue ('000)			
	26	5,713,865	5,671,360
Net asset value per unit			
	28	HK\$7.94	HK\$7.80

The consolidated financial statements on pages 104 to 151 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT") on 24 February 2014 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

LEE Ching Ming, Adrian
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For The Year Ended 31 December 2013

	Issued units HK\$'000 (note 26)	Hedging reserve HK\$'000	Others HK\$'000 (note)	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2012	21,142,221	–	5,757,943	11,855,403	38,755,567
Profit for the year, after distribution to unitholders and total comprehensive income for the year	–	–	–	2,973,734	2,973,734
Issue of units	2,522,899	–	–	–	2,522,899
Net assets attributable to unitholders as at 31 December 2012	23,665,120	–	5,757,943	14,829,137	44,252,200
Profit for the year, after distribution to unitholders	–	–	–	997,428	997,428
Cash flow hedges	–	(44,914)	–	–	(44,914)
Total comprehensive income for the year	–	(44,914)	–	997,428	952,514
Issue of units	159,246	–	–	–	159,246
Net assets attributable to unitholders as at 31 December 2013	23,824,366	(44,914)	5,757,943	15,826,565	45,363,960

Note: "Others" represent

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

DISTRIBUTION STATEMENT

For The Year Ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
INTERIM DISTRIBUTION PERIOD			
Total distributable income		633,555	641,538
Percentage of distributable income for distribution (note (i))		90%	90%
Total distribution amount for Interim Distribution Period		570,200	577,384
FINAL DISTRIBUTION PERIOD			
Total distributable income	16	1,271,340	1,253,865
Less: distributable income paid in Interim Distribution Period		(570,200)	(577,384)
Distributable income available for Final Distribution Period		701,140	676,481
Percentage of distributable income for distribution (note (i))		90%	90%
Total distribution amount for Final Distribution Period		631,026	608,833
Total distribution amounts for the year		1,201,226	1,186,217
DISTRIBUTIONS PER UNIT TO UNITHOLDERS			
Interim distribution per unit paid (note (ii))		HK\$0.0998	HK\$0.1018
Final distribution per unit to be paid (note (iii))		HK\$0.1104	HK\$0.1071
		HK\$0.2102	HK\$0.2089

Notes:

- (i) It is the policy of the Manager to distribute 90% (2012: 90%) of available distributable income as distributions for each of the six month periods ended 30 June (the "Interim Distribution Period") and 31 December (the "Final Distribution Period"). No additional amounts were distributed at the discretion of the Manager for both years.
- (ii) The interim distribution per unit of HK\$0.0998 for the Interim Distribution Period in 2013 was calculated based on the interim distribution paid of HK\$570,200,000 for the period and 5,713,864,647 units as of 23 September 2013, which was the record date for the period. The distribution was paid to unitholders on 9 October 2013.
- The interim distribution per unit of HK\$0.1018 for the Interim Distribution Period in 2012 was calculated based on the interim distribution paid of HK\$577,384,000 for the period and 5,671,360,403 units as of 24 September 2012, which was the record date for the period.
- (iii) The final distribution per unit of HK\$0.1104 for the Final Distribution Period in 2013 is calculated based on the final distribution to be paid of HK\$631,026,000 for the period and 5,713,864,647 units. Such final distribution will be subject to further adjustments upon the issuance of units between 1 January 2014 and 26 May 2014, which is the record date set for such period. The final distribution will be paid to unitholders on or about 29 May 2014.
- The final distribution per unit of HK\$0.1071 for the Final Distribution Period in 2012 was calculated based on the final distribution paid of HK\$608,833,000 for the period and 5,686,500,158 units as of 2 May 2013, which was the record date for the period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	2,334,866	4,380,180
Adjustments for:		
Increase in fair value of investment properties	(808,988)	(3,435,451)
Change in fair value of derivative components of convertible bonds	(308,236)	192,663
Gain on settlement of convertible bonds	(29,302)	–
Gain relating to convertible bonds converted in conjunction with exchange offer	–	(90,107)
Manager's fee paid and payable in units	104,868	119,938
Interest income	(13,681)	(7,231)
Finance costs	342,700	404,703
Exchange difference	584	–
Operating cash flow before movements in working capital	1,622,811	1,564,695
Decrease (increase) in trade and other receivables	11,220	(16,397)
Increase (decrease) in trade and other payables	28,678	(5,627)
Increase in deposits received	36,766	21,225
Cash generated from operations	1,699,475	1,563,896
Interest paid	(206,231)	(143,661)
Hong Kong Profits Tax paid	(285,246)	(127,261)
Net cash from operating activities	1,207,998	1,292,974
INVESTING ACTIVITIES		
Interest received	13,356	7,415
Additions to investment properties	(42,531)	(4,249)
Acquisition of investment properties	(2,268,881)	–
Net cash (used in) from investing activities	(2,298,056)	3,166
FINANCING ACTIVITIES		
Bank origination fees	(39,650)	(3,750)
Redemption of convertible bonds	(2,406,481)	–
New bank loan raised	4,100,000	500,000
Repayment of bank loan	(2,454,000)	–
Incentive payment upon conversion of convertible bonds pursuant to exchange offer	–	(518,399)
Settlement upon conversion of convertible bonds	(322,940)	–
Proceeds from issuance of medium term note	3,100,982	–
Transaction costs for issuance of medium term note	(39,230)	–
Distribution paid	(1,179,268)	(1,169,661)
Net cash from (used in) financing activities	759,413	(1,191,810)
Net (decrease) increase in cash and cash equivalents	(330,645)	104,330
Cash and cash equivalents at beginning of the year	1,397,082	1,292,752
Cash and cash equivalents at end of year, represented by bank balances and cash	1,066,437	1,397,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

1. General

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

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

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

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

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

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

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

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

HKFRS 13 “Fair Value Measurement”

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad, the fair value measurement requirements of HKFRS 13 apply 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, except for a few exceptions.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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.

HKFRS 13 requires prospective application (see notes 5 and 17 to the consolidated financial statements for the disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1. The amendments to HKAS 1 introduce a new terminology for the statement of comprehensive income and income statement. Under the amendment 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 consolidated financial statements. Furthermore, 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ²
Amendments to HKFRS 9 and HKFRS 7 HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³ Financial Instruments ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

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

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting. Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 “Financial Instruments” (continued)

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Manager anticipates that the application of HKFRS 9 may not have significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities.

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

3. Significant Accounting Policies

Basis of preparation of consolidated financial statements

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

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

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis.

In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

3. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Champion REIT and the entities controlled by Champion REIT. Control is achieved when Champion REIT has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Income and expenses of controlled entities acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains controls until the date when the Group ceases to control the controlled entity.

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

Investment properties

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

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

Leasing

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

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

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

Financial instruments

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

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

Loans and receivables

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

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

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

Financial liabilities and equity

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

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

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

Effective interest method

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

Other financial liabilities

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

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Unit issue costs

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

Convertible bonds

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

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

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

Derivative financial instruments and hedging

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

Embedded derivatives

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

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Hedge accounting

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

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

Cash flow hedge

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

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

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

Derecognition

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

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

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

3. Significant Accounting Policies (Continued)

Revenue recognition

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

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

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

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

Borrowing costs

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Taxation

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

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

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

3. Significant Accounting Policies (Continued)

Taxation (continued)

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in net assets attributable to unitholders respectively.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Manager has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Manager has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Manager has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the Manager half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by independent professional valuers. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 17.

In addition, as described in notes 23 and 24, the fair values of derivatives financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. For derivative components of convertible bonds, assumptions are made based on market data such as historical volatility of Champion REIT's unit prices.

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

5. Financial Instruments

(a) Categories of financial instruments

	2013 HK\$'000	2012 HK\$'000
FINANCIAL ASSETS		
<i>Loans and receivables</i>		
Trade and other receivables	23,895	22,048
Bank balances and cash	1,066,437	1,397,082
	1,090,332	1,419,130
FINANCIAL LIABILITIES		
<i>Financial liabilities at FVTPL</i>		
Derivative components of convertible bonds	–	308,563
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	41,833	–
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	225,116	167,741
Distribution payable	631,026	608,833
Secured bank borrowings	11,556,481	9,924,838
Medium term note	3,065,494	–
Liability component of convertible bonds	–	2,742,781
	15,478,117	13,444,193

5. Financial Instruments (Continued)

(b) Financial risks management objectives and policies

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

(i) *Currency risk*

The Group's medium term note is denominated in a foreign currency (i.e. US\$) which expose the Group to foreign currency risk. The Group manages its foreign currency risk by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term note. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 24 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness.

(ii) *Interest rate risk*

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk arises mainly from its variable-rate secured bank borrowings (see note 21 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, medium term note and debt portion of the convertible bonds.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivatives instruments. For variable-rate term loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2012: 50) basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

5. Financial Instruments (Continued)

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

(ii) Interest rate risk (continued)

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit before tax and distribution to unitholders for the year ended 31 December 2013 would decrease/increase by HK\$58,000,000 (2012: HK\$49,770,000). This is mainly attributable to the Group's exposure to interest rates on its secured variable-rate term loans amounting to HK\$11,600,000,000 (2012: HK\$9,954,000,000) which are not hedged.

(iii) Other price risk

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

Sensitivity analysis

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

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

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

(iv) Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

5. Financial Instruments (Continued)

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

(v) *Liquidity and capital risk management*

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

The Group has cash and cash equivalents of HK\$1,066,437,000 as at 31 December 2013 (2012: HK\$1,397,082,000). In addition to the cash resources, the Group has available borrowing facilities amounted to HK\$11,900,000,000 (2012: HK\$10,454,000,000), of which HK\$11,600,000,000 (2012: HK\$9,954,000,000) was drawn as at 31 December 2013. The undrawn committed facility in the form of revolving bank loans totalled HK\$300,000,000 as at 31 December 2013 (2012: HK\$500,000,000). Details of which are set out in note 21.

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. As detailed in note 22, the Group issued an aggregate principal amount of US\$400,000,000 as at 31 December 2013.

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed facility of HK\$300,000,000 (2012: HK\$500,000,000) and a balance of US\$600,000,000 under the guaranteed medium term note programme available for issuance, the Manager considered that the liquidity risk of the Group can be reduced.

As at 31 December 2013, the Group's current liabilities exceeded its current assets by HK\$8,111,542,000 (2012: HK\$6,232,567,000). Management is in the process of negotiation with banks to refinance the existing secured term loan which is due within one year. Therefore the management considers that the Group has sufficient financial resources to satisfy its commitments and working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value as required by the Code. As at 31 December 2013, the gearing ratio was 23.4% (2012: 20.4%). The ratio is calculated as total borrowings (principal amounts of secured bank borrowings, medium term note and convertible bonds) divided by total assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

5. Financial Instruments (Continued)

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

(v) Liquidity and capital risk management (continued)

Liquidity and interest risk tables

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

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

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2013							
<i>Non-interest bearing</i>							
Trade and other receivables	–	23,895	–	–	–	23,895	23,895
<i>Variable interest rate</i>							
Bank balances and cash	0.99	1,066,439	–	–	–	1,066,439	1,066,437
Total		1,090,334	–	–	–	1,090,334	1,090,332
<i>Non-interest bearing</i>							
Trade and other payables	–	(171,758)	–	–	–	(171,758)	(171,758)
Distribution payable	–	(631,026)	–	–	–	(631,026)	(631,026)
		(802,784)	–	–	–	(802,784)	(802,784)
<i>Variable interest rate instruments</i>							
Secured term loans	1.29	(7,108,737)	(573,845)	(4,197,770)	–	(11,880,352)	(11,556,481)
<i>Fixed interest rate instruments</i>							
Medium term note	3.75	(116,310)	(116,310)	(348,930)	(3,624,995)	(4,206,545)	(3,065,494)
Total		(8,027,831)	(690,155)	(4,546,700)	(3,624,995)	(16,889,681)	(15,424,759)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

5. Financial Instruments (Continued)

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

(v) *Liquidity and capital risk management (continued)*

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2012							
<i>Non-interest bearing</i>							
Trade and other receivables	–	22,048	–	–	–	22,048	22,048
<i>Variable interest rate</i>							
Bank balances and cash	0.45	1,397,262	–	–	–	1,397,262	1,397,082
Total		1,419,310	–	–	–	1,419,310	1,419,130
<i>Non-interest bearing</i>							
Trade and other payables	–	(107,575)	–	–	–	(107,575)	(107,575)
Distribution payable	–	(608,833)	–	–	–	(608,833)	(608,833)
		(716,408)	–	–	–	(716,408)	(716,408)
<i>Variable interest rate instruments</i>							
Secured term loans	1.17	(2,559,904)	(7,044,039)	(507,564)	–	(10,111,507)	(9,924,838)
<i>Fixed interest rate instruments</i>							
Convertible bonds	6.38	(2,818,056)	–	–	–	(2,818,056)	(2,742,781)
Total		(6,094,368)	(7,044,039)	(507,564)	–	(13,645,971)	(13,384,027)

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

	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<i>Derivatives – net settlement</i>					
As at 31 December 2013					
Derivative financial instruments	(4,672)	(4,751)	(14,294)	(18,116)	(41,833)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

5. Financial Instruments (Continued)

(c) Fair value

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

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2013				
<i>Derivative financial liabilities</i>				
Cross currency swaps	–	41,833	–	41,833
As at 31 December 2012				
<i>Financial liabilities at FVTPL</i>				
Derivative components of convertible bonds	–	–	308,563	308,563

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. Fair Value Measurements of Financial Instruments (Continued)

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

The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2013 HK\$'000	2012 HK\$'000		
Cross currency swaps classified as derivative financial liabilities in the consolidated statement of financial position	41,833	–	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.
Derivative components of convertible bonds as financial liabilities at FVTPL in the consolidated statement of financial position	–	308,563	Level 3	Binomial model. The binomial model develops a binomial tree based that over a single period of a very short duration, the underlying asset can only move from its original price to an upper and lower level with defined probability. Refer to notes 5(b) and 23 for sensitivity analysis and key inputs, respectively.

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

	Derivative components of convertible bonds HK\$'000
As at 1 January 2012	(350,677)
Change in fair value	(192,663)
Conversion during the year	234,777
As at 31 December 2012	(308,563)
Change in fair value	308,236
Conversion during the year	327
As at 31 December 2013	–

The above change in fair value is reported as "change in fair value of derivative components of convertible bonds" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

7. Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Manager, has been revised for the purpose of resource allocation and performance assessment. For Langham Place, it has been further allocated based on the operating results of Office Tower and Mall. Accordingly, the operating segments of the Group are focused on the three investment properties, namely Citibank Plaza, Langham Place Office Tower and Langham Place Mall.

Segment revenue and results

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

For the year ended 31 December 2013

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,201,996	288,933	688,339	2,179,268
Segment results – Net property income	990,022	231,872	525,908	1,747,802
Interest income				13,681
Manager's fee				(209,736)
Trust and other expenses				(20,707)
Increase in fair value of investment properties				808,988
Change in fair value of derivative components of convertible bonds				308,236
Gain on settlement of convertible bonds				29,302
Finance costs				(342,700)
Profit before tax and distribution to unitholders				2,334,866
Income taxes				(136,212)
Profit for the year, before distribution to unitholders				2,198,654
Distribution to unitholders				(1,201,226)
Profit for the year, after distribution to unitholders				997,428
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
(Decrease) increase in fair value of investment properties	(1,036,012)	197,000	1,648,000	808,988

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For The Year Ended 31 December 2013

7. Segment Information (Continued)

Segment revenue and results (continued)

For the year ended 31 December 2012

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,205,962	263,927	589,125	2,059,014
Segment results – Net property income	1,000,559	215,545	449,696	1,665,800
Interest income				7,231
Manager's fee				(199,896)
Trust and other expenses				(21,147)
Increase in fair value of investment properties				3,435,451
Change in fair value of derivative components of convertible bonds				(192,663)
Gain relating to convertible bonds converted in conjunction with exchange offer				90,107
Finance costs				(404,703)
Profit before tax and distribution to unitholders				4,380,180
Income taxes				(220,229)
Profit for the year, before distribution to unitholders				4,159,951
Distribution to unitholders				(1,186,217)
Profit for the year, after distribution to unitholders				2,973,734
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	90,951	690,000	2,654,500	3,435,451

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

7. Segment Information (Continued)

Other segment information

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2013				
Acquisition of non-current assets	2,360,481	–	–	2,360,481
Additions to non-current assets	42,531	–	–	42,531
	2,403,012	–	–	2,403,012
For the year ended 31 December 2012				
Additions to non-current assets	4,249	–	–	4,249

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2013, the fair value of Citibank Plaza, Langham Place Office Tower and Langham Place Mall was HK\$37,900,000,000 (2012: HK\$36,533,000,000), HK\$7,381,000,000 (2012: HK\$7,184,000,000) and HK\$16,228,000,000 (2012: HK\$14,580,000,000), respectively.

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

Geographical information

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

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

Information about major tenants

Revenue from tenants contributing over 10% of the total revenue of the Group consists of one tenant (2012: two tenants) of Citibank Plaza with revenue amounting to HK\$224,203,000 (2012: HK\$209,956,000 and HK\$235,883,000) respectively.

8. Rental Income

	2013 HK\$'000	2012 HK\$'000
Rental income	1,925,737	1,831,279
Car park income	35,644	32,164
	1,961,381	1,863,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

9. Rental Related Income

	2013 HK\$'000	2012 HK\$'000
Interest income from tenants	127	204
Promotional levy income	9,045	7,217
Surplus on forbearance fee	2,031	653
Sundry income	16,500	14,680
	27,703	22,754

10. Property Operating Expenses

	2013 HK\$'000	2012 HK\$'000
Building management expenses	224,564	198,882
Car park operating expenses	9,610	8,504
Government rent and rates	65,863	69,408
Legal cost and stamp duty	4,924	2,948
Promotion expenses	17,462	23,052
Property and lease management service fee	59,565	56,545
Property miscellaneous expenses	2,421	2,996
Rental commission	33,977	26,052
Repairs and maintenance	13,080	4,827
	431,466	393,214

11. Manager's Fee

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2013 and 31 December 2013, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2013 and 31 December 2013 as remuneration.

	2013 HK\$'000	2012 HK\$'000
MANAGER'S FEE:		
In the form of units	104,868	119,938
In the form of cash	104,868	79,958
	209,736	199,896

Pursuant to election allowed by the Trust Deed on 30 November 2012, the Manager has elected 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2013 (2012: 60%) arising from the properties currently owned by Champion REIT shall be settled in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% (2012: 40%) will be received in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

12. Finance Costs

	2013 HK\$'000	2012 HK\$'000
FINANCE COSTS REPRESENT:		
Interest expense on bank borrowings wholly repayable within five years	159,496	130,704
Interest expense on convertible bonds wholly repayable within five years	71,136	272,705
Interest expense on medium term note not wholly repayable within five years	110,779	–
Other borrowing costs	1,289	1,294
	342,700	404,703

13. Profit Before Tax and Distribution to Unitholders

	2013 HK\$'000	2012 HK\$'000
PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS HAS BEEN ARRIVED AT AFTER CHARGING:		
Auditors' remuneration	1,920	1,800
Trustee's remuneration	10,534	9,978
Principal valuer's fee	299	285
Other professional fees and charges	7,180	8,874
Roadshow and public relations expenses	42	29
Bank charges	189	123
Exchange difference	584	–

14. Income Taxes

	2013 HK\$'000	2012 HK\$'000
HONG KONG PROFITS TAX:		
CURRENT TAX		
– Current year	103,053	174,769
– Under(over)provision in prior years	10,425	(127)
	113,478	174,642
DEFERRED TAX (NOTE 25)		
– Current year	32,368	45,587
– Overprovision in prior years	(9,634)	–
	22,734	45,587
	136,212	220,229

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

14. Income Taxes (Continued)

The underprovision of current tax in prior years of HK\$10,425,000 and overprovision of deferred tax in prior years of HK\$9,634,000 in current year were mainly due to the revision of depreciation allowances claim of certain investment properties.

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

	2013 HK\$'000	2012 HK\$'000
Profit before tax and distribution to unitholders	2,334,866	4,380,180
Tax at the domestic income tax rate of 16.5%	385,253	722,730
Tax effect of income not taxable for tax purpose	(191,719)	(583,524)
Tax effect of expenses not deductible for tax purpose	13,577	49,771
Under(over)provision in prior years	791	(127)
Utilisation of tax loss previously not recognised	(78,677)	–
Tax effect of tax losses not recognised	6,987	31,379
Income taxes for the year	136,212	220,229

15. Basic and Diluted Earnings Per Unit

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

	2013 HK\$'000	2012 HK\$'000
EARNINGS		
Profit for the year, before distribution to unitholders for the purpose of basic earnings per unit	2,198,654	4,159,951
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	71,136	272,705
Change in fair value of derivative components of convertible bonds	(308,236)	192,663
Gain on settlement of convertible bonds	(29,302)	–
Gain relating to convertible bonds converted in conjunction with exchange offer	–	(90,107)
Profit for the year, before distribution to unitholders for the purpose of diluted earnings per unit	1,932,252	4,535,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

15. Basic and Diluted Earnings Per Unit (Continued)

	2013	2012
NUMBER OF UNITS		
Weighted average number of units for the purpose of basic earnings per unit	5,699,794,929	5,222,103,929
Effect of dilutive potential units:		
Convertible bonds	669,378,995	1,091,429,295
Weighted average number of units for the purpose of diluted earnings per unit	6,369,173,924	6,313,533,224

16. Total Distributable Income

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

	2013 HK\$'000	2012 HK\$'000
Profit for the year, before distribution to unitholders	2,198,654	4,159,951
Adjustments:		
Manager's fee paid and payable in units	104,868	119,938
Increase in fair value of investment properties	(808,988)	(3,435,451)
Change in fair value of derivative components of convertible bonds	(308,236)	192,663
Non-cash gain	(29,302)	(90,107)
Non-cash finance costs	91,610	261,284
Deferred tax	22,734	45,587
Total distributable income	1,271,340	1,253,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

17. Investment Properties

	2013 HK\$'000	2012 HK\$'000
FAIR VALUE		
At the beginning of the year	58,297,000	54,857,300
Acquisition of investment properties	2,360,481	–
Additions during the year	42,531	4,249
Increase in fair value	808,988	3,435,451
	61,509,000	58,297,000

On 11 July 2013, the Group completed the acquisition of a portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower (the "Acquisition") for a consideration of HK\$2,155,302,000. The Acquisition was funded by the drawdown of a new bank borrowings as disclosed in note 21(iv) and internal resources. Transaction costs incurred in relation to the Acquisition included a stamp duty of HK\$183,201,000 and acquisition fees paid to the Manager and Trustee of HK\$21,553,000 and HK\$100,000, respectively.

The fair value of the Group's investment properties at 31 December 2013 and 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 the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. 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 31 December 2013, certain investment properties with total fair value of HK\$43,778,000,000 (2012: HK\$53,771,000,000) have been mortgaged as security for credit facilities (2012: credit facilities and convertible bonds), as detailed in notes 21 and 23, respectively.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

17. Investment Properties (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2013					
Citibank Plaza	Level 3	Income capitalisation approach and direct comparison method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.3% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$4,900 million (capitalisation rate of 3.8% for office and 4.75% for retail) and increase by approximately HK\$6,700 million (capitalisation rate of 2.8% for office and 3.75% for retail) respectively.
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,900 million and decrease by approximately HK\$1,900 million, respectively.
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach and direct comparison method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0% for both the retail and office.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$2,600 million (capitalisation rate of 4.5%) and increase by approximately HK\$3,300 million (capitalisation rate of 3.5%) respectively.
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,200 million and decrease by approximately HK\$1,200 million, respectively.

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For The Year Ended 31 December 2013

18. Trade and Other Receivables

	2013 HK\$'000	2012 HK\$'000
Trade receivables	23,032	21,873
Deferred rent receivables	99,808	106,105
Deposits, prepayments and other receivables	62,512	68,269
	185,352	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:

	2013 HK\$'000	2012 HK\$'000
0 – 3 months	23,032	21,873

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$23,032,000 (2012: HK\$21,873,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

19. Bank Balances and Cash

	2013 HK\$'000	2012 HK\$'000
Cash on hand	2	2
Cash at bank	269,655	801,948
Time deposits	796,780	595,132
	1,066,437	1,397,082

Bank balances carry interest at market rates of 0.001% to 0.01% (2012: 0.001% to 0.51%) per annum. Time deposits have original maturity of less than three months and carry interest at market rates which range from 0.90% to 1.50% (2012: 0.57% to 0.70%) per annum.

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20. Trade and Other Payables

	2013 HK\$'000	2012 HK\$'000
Trade payables	54,408	51,517
Rental received in advance	16,154	11,553
Other payables	294,258	140,601
Accrued stamp duty	963,475	963,475
	1,328,295	1,167,146

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (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 interest in Citibank Plaza upon listing.

Included in other payables is an accrual for stamp duty of HK\$91,600,000 in regards to the Acquisition.

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

	2013 HK\$'000	2012 HK\$'000
0 – 3 months	54,408	51,517

21. Secured Bank Borrowings

	2013 HK\$'000	2012 HK\$'000
Secured bank borrowings	11,600,000	9,954,000
Loan front-end fee	(43,519)	(29,162)
	11,556,481	9,924,838
The maturity of the above secured bank borrowings is as follows:		
Within one year	6,993,085	2,452,646
More than one year but not exceeding two years	497,858	6,975,585
More than two years but not exceeding five years	4,065,538	496,607
	11,556,481	9,924,838
Less: amount due within one year shown under current liabilities	(6,993,085)	(2,452,646)
Amount due after one year	4,563,396	7,472,192

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21. Secured Bank Borrowings (Continued)

The secured bank borrowings comprise the following:

- (i) In June 2008, the Group arranged a syndicated facility of HK\$2,954,000,000, comprising a HK\$2,454,000,000 term loan and a HK\$500,000,000 revolving credit facility. The facility bore interest at floating interest rate of 1-month HIBOR plus 0.59% per annum and was fully repaid in June 2013. The total facility drawn down by the Group as at 31 December 2012 was HK\$2,454,000,000.

The facility was refinanced in June 2013 with a syndicated facility of HK\$2,500,000,000, comprising a HK\$2,200,000,000 term loan and a HK\$300,000,000 revolving credit facility. The facility bears interest at a floating rate of 1-month HIBOR plus 1.35% per annum and is repayable in full in June 2016. The total facility drawn down by the Group as at 31 December 2013 was HK\$2,200,000,000.

- (ii) In May 2011, the Group arranged a syndicated term loan of HK\$7,000,000,000. The facility bears interest at a floating interest rate of 1-month HIBOR plus 0.93% per annum and is repayable in full in May 2014.
- (iii) On 18 September 2012, the Group arranged a bilateral term loan of HK\$500,000,000. The facility bears interest at floating interest rate of 1-month HIBOR plus 1.85% per annum and is repayable in full in September 2015.
- (iv) On 8 July 2013, the Group arranged a bilateral term loan of HK\$1,900,000,000. The facility bears interest at floating interest rate of 1-month HIBOR plus 1.48% per annum and is repayable in full in July 2018.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$43,778,000,000 as at 31 December 2013 (2012: HK\$53,771,000,000) 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 banks.

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22. Medium Term Note

	2013 HK\$'000	2012 HK\$'000
Medium term note	3,101,600	–
Origination fees	(36,106)	–
	3,065,494	–

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term notes programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee. During the year, 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.

23. 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 have been 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.

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23. 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, 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 principal 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 upon which the Converted Bonds amounting to HK\$2,405,714,000 was recognised in "Issued units" accordingly. The difference between the carrying amount of Converted Bonds of HK\$3,014,219,000 and the consideration paid of HK\$2,924,112,000 was recognised as a gain of HK\$90,107,000 in the profit or loss for the year ended 31 December 2012.

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

During the year, an aggregate principal amount of HK\$322,940,000 of the Bonds was 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 component stated at amortised cost and derivative components stated at fair value. The effective interest rate of the liability component is 6.375% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

23. Convertible Bonds (Continued)

As at 31 December 2012, the fair values of the derivative components (including conversion options and early redemption options) are based on valuation provided to the Group by an independent valuer. The fair values were determined based on the Binomial model using the assumptions as follows:

	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 bonds for the year is set out as below:

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

	2013 HK\$'000	2012 HK\$'000
The maturity of the bonds is as follows:		
Within one year	–	3,051,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

24. Derivative Financial Instruments

	2013 HK\$'000	2012 HK\$'000
Cash flow hedge – cross currency swaps	41,833	–

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 year, the loss on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$41,833,000 has been recognised in other comprehensive income of which the fair value adjustment of the hedging instruments amounting to HK\$3,081,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

25. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2012	312,935	(18,481)	294,454
Charge to consolidated income statement during the year	37,347	8,240	45,587
As at 31 December 2012	350,282	(10,241)	340,041
Charge to consolidated income statement during the year	40,862	(8,494)	32,368
Overprovision in prior years	(9,634)	–	(9,634)
As at 31 December 2013	381,510	(18,735)	362,775

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

As at 31 December 2013, the Group has unutilised tax losses amounting to HK\$634,377,000 (2012: HK\$1,017,388,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$113,547,000 (2012: HK\$62,070,000) of such losses. No deferred tax asset has been recognised in respect of the remaining of HK\$520,830,000 (2012: HK\$955,318,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

26. Issued Units

	Number of units	HK\$'000
Balance at 1 January 2012	4,956,590,003	21,142,221
Payment of Manager's fee through issuance of new units during the year (note (i))	34,421,563	117,185
Units issued upon the conversion of convertible bonds pursuant to an exchange offer (note 23)	680,348,837	2,405,714
Balance at 31 December 2012	5,671,360,403	23,665,120
Payment of Manager's fee through issuance of new units during the year (note (i))	30,109,215	111,675
Units issued upon the conversion of convertible bonds (note 23)	12,395,029	47,571
Balance at 31 December 2013	5,713,864,647	23,824,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

26. Issued Units (Continued)

Note:

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

Issue date	Payment of the Manager's fees for the period	Issue price per unit determined based on the Trust Deed HK\$	Aggregate issue price HK\$'000	Number of units issued
In 2013				
8 March 2013	1.7.2012 to 31.12.2012	3.974	60,165	15,139,755
23 August 2013	1.1.2013 to 30.6.2013	3.441	51,510	14,969,460
			111,675	30,109,215
In 2012				
6 March 2012	1.7.2011 to 31.12.2011	3.441	57,413	16,685,008
28 August 2012	1.1.2012 to 30.6.2012	3.370	59,772	17,736,555
			117,185	34,421,563

27. Major Non Cash Transactions

- (i) During the year ended 31 December 2013, 30,109,215 (2012: 34,421,563) units were issued as payment for the Manager's fee, amounting to HK\$111,675,000 (2012: HK\$117,185,000).
- (ii) During the year ended 31 December 2013, 12,395,029 units were issued upon the conversion of the Bonds.

During the year ended 31 December 2012, 680,348,837 units were issued upon the conversion of the Bonds pursuant to an exchange offer as described in note 23.

28. Net Asset Value Per Unit

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2013 of HK\$45,363,960,000 (2012: HK\$44,252,200,000) by the number of units in issue of 5,713,864,647 (2012: 5,671,360,403) as at 31 December 2013.

29. Net Current Liabilities

At 31 December 2013, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$8,111,542,000 (2012: HK\$6,232,567,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

30. Total Assets Less Current Liabilities

At 31 December 2013, the Group's total assets less current liabilities amounted to HK\$53,397,458,000 (2012: HK\$52,064,433,000).

31. Operating Lease Commitments

At 31 December 2013, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	1,725,946	1,689,785
In the second to fifth year inclusive	2,511,985	2,486,366
Over five years	385,320	55,310
	4,623,251	4,231,461

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. Contingent rental income of HK\$99,525,000 (2012: HK\$95,709,000) was received for the year.

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

32. Capital Commitment

	2013 HK\$'000	2012 HK\$'000
Capital expenditure in respect of the addition of investment properties contracted for but not provided in the consolidated financial statements	26,589	56,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

33. Connected and Related Party Transactions

During the year, in addition to those disclosed in notes 23 and 24, the Group entered into the following transactions with connected and related parties:

	Notes	2013 HK\$'000	2012 HK\$'000
Rental income			
China Mobile Hong Kong Company Limited	(a)	234	234
Langham Hotels International Limited	(b)	10,589	10,589
Langham Place Hotel (HK) Limited	(b)	4,031	3,282
Strong Dynamic Limited	(b)	7,477	6,600
The Great Eagle Properties Management Company, Limited	(b)	5,356	4,487
Eagle Asset Management (CP) Limited	(b)	394	394
Eagle Property Management (CP) Limited	(b)	3,000	3,000
HSBC Group ¹	(c)	11,387	42,095
Interest income			
HSBC Group ¹	(c)	2,668	3,879
Building management fee income			
Strong Dynamic Limited	(b)	3,508	3,188
The Great Eagle Properties Management Company, Limited	(b)	600	445
Langham Hotels International Limited	(b)	1,563	1,398
Langham Place Hotel (HK) Limited	(b)	606	542
Eagle Property Management (CP) Limited	(b)	364	326
HSBC Group ¹	(c)	1,422	4,108
Building management expenses and car park operating expenses			
The Great Eagle Properties Management Company, Limited	(b)	192,868	170,651
Longworth Management Limited	(b)	34,199	30,621
Property and lease management service fee			
Eagle Property Management (CP) Limited	(b)	59,565	56,545
Rental commission			
Eagle Property Management (CP) Limited	(b)	25,433	16,356
Savills (Hong Kong) Limited	(d)	2,927	50
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(b)	5,063	1,121
Toptech Co. Limited	(b)	519	1,347
Keysen Engineering Company, Limited	(b)	1,193	259
The Great Eagle Properties Management Company, Limited	(b)	8	2
Sun Fook Kong Housing Services Limited	(e)	22	–
Repairs and maintenance and renovations contracted to			
The Great Eagle Engineering Company Limited	(b)	5,417	4,480
Toptech Co. Limited	(b)	1,335	836
Keysen Engineering Company, Limited	(b)	1,215	547
The Great Eagle Properties Management Company, Limited	(b)	8	2
Sun Fook Kong Housing Services Limited	(e)	31	31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

33. Connected and Related Party Transactions (Continued)

	Notes	2013 HK\$'000	2012 HK\$'000
Property miscellaneous expenses			
Langham Place Hotel (HK) Limited	(b)	27	34
Grow On Development Limited	(b)	33	72
Clever Gain Investment Ltd	(b)	145	24
Trust and other expenses			
HSBC Institutional Trust Services (Asia) Limited	(c)	10,534	9,978
HSBC Group ¹	(c)	100	64
Manager's fee			
Eagle Asset Management (CP) Limited	(b) & (f)	209,736	199,896
Acquisition cost of investment properties			
Eagle Asset Management (CP) Limited	(b)	21,553	–
HSBC Institutional Trust Services (Asia) Limited	(c)	100	–
Savills Valuation and Professional Services Limited	(d)	50	–
Finance costs			
Hang Seng Bank Limited ²	(c)	131,124	109,816
Bright Form Investments Limited	(b) & (g)	–	108,201
The Hongkong and Shanghai Banking Corporation Limited	(c) & (h)	17,575	–
Valuation fee			
Savills Valuation and Professional Services Limited	(d)	299	285

Balances with connected and related parties are as follows:

	Notes	2013 HK\$'000	2012 HK\$'000
Amount due from			
The Great Eagle Properties Management Company, Limited	(b) & (i)	40,034	46,775
Longworth Management Limited	(b) & (i)	15,311	15,311
Toptech Co. Limited	(b) & (i)	282	801
Amount due to			
Eagle Property Management (CP) Limited	(b) & (i)	12,999	13,499
Eagle Asset Management (CP) Limited	(b) & (i)	106,716	100,276
The Great Eagle Engineering Company Limited	(b) & (i)	4,699	1,718
The Great Eagle Properties Management Company, Limited	(b) & (i)	10,344	13,296
Keysen Engineering Company, Limited	(b) & (i)	1,101	331
The Great Eagle Company, Limited	(b) & (i)	–	1
Langham Place Hotel (HK) Limited	(b) & (i)	10	–
Sun Fook Kong Housing Services Limited	(b) & (i)	22	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

33. Connected and Related Party Transactions (Continued)

	Notes	2013 HK\$'000	2012 HK\$'000
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
China Mobile Hong Kong Company Limited	(a)	39	39
Eagle Property Management (CP) Limited	(b) & (j)	–	–
The Great Eagle Properties Management Company, Limited	(b)	1,408	1,040
Strong Dynamic Limited	(b) & (k)	–	–
Langham Hotels International Limited	(b) & (l)	–	–
Langham Place Hotel (HK) Limited	(b) & (m)	1,351	15
HSBC Group ¹	(c)	1,275	8,846

Notes:

- (a) This company is an associate³ of Dr. Lo Ka Shui (a non-executive director and the Chairman of the Manager of Champion REIT and a director of Great Eagle) by virtue of Dr. Lo being an independent non-executive director of the ultimate holding company of this company.
- (b) These companies are the subsidiaries 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.
- (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 31 December 2013.
- (g) The finance cost represents 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.
- (h) In July 2013, the Group arranged a bilateral loan of HK\$1,900 million with The Hongkong and Shanghai Banking Corporation with an upfront fee of HK\$20,900,000.
- (i) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (j) A bank guarantee of HK\$859,000 (2012: HK\$859,000) was received in lieu of deposit.
- (k) A bank guarantee of HK\$2,882,000 (2012: HK\$2,585,000) was received in lieu of deposit.
- (l) A bank guarantee of HK\$3,133,000 (2012: HK\$3,127,000) was received in lieu of deposit.
- (m) 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 a term loan of HK\$7,000 million and term loan and revolving credit facility 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 31 December 2013, total term loan outstanding under these two facilities is HK\$9,200 million.
- ³ As defined in the Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2013

34. Particulars of Principal Subsidiaries of Champion REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2013 and 2012.

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

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

	2013	2012	2011	2010	2009
AS AT 31 DECEMBER:					
Net asset value (HK\$'000)	45,363,960	44,252,200	38,755,567	33,141,907	28,254,537
Net asset value per unit (HK\$)	7.94	7.80	7.82	6.72	5.86
The highest traded price during the period (HK\$)	4.19	3.95	5.01	4.70	3.37
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\$)	3.29	2.91	2.65	3.23	1.56
The highest discount of the traded price to net asset value	58.56%	62.69%	66.11%	51.95%	73.37%
FOR THE YEAR ENDED 31 DECEMBER:					
The distribution yield per unit ²	6.13%	5.63%	7.66%	4.71%	7.91%
The net profit yield per unit ³	11.22%	19.77%	44.86%	23.46%	26.37%

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\$0.2102 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2013 over the traded price of HK\$3.43 as at 31 December 2013.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2013 over the traded price of HK\$3.43 as at 31 December 2013.



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

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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
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183 Queen's Road East
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