



INTERIM REPORT 2014

中期報告



Champion REIT
冠君產業信託

Champion Real Estate Investment Trust (stock code: 2778) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
冠君產業信託(股份代號：2778)為根據香港法例第571章證券及期貨條例第104條獲認可的香港集體投資計劃

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.





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CORPORATE INFORMATION



CHAMPION REIT

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

REIT MANAGER

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

BOARD OF DIRECTORS OF THE REIT MANAGER

NON-EXECUTIVE DIRECTORS

LO Ka Shui (*Chairman*)
HO Shut Kan
IP Yuk Keung, Albert
LO Kai Shui

EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHA Mou Sing, Payson
CHENG Wai Chee, Christopher
SHEK Lai Him, Abraham

AUDIT COMMITTEE OF THE REIT MANAGER

SHEK Lai Him, Abraham (*Chairman*)
CHENG Wai Chee, Christopher
LO Ka Shui

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

LEGAL ADVISOR

Baker & McKenzie

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Savills Valuation and Professional Services Limited

UNIT REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.ChampionReit.com

STOCK CODE

2778



FINANCIAL HIGHLIGHTS



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

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	% Change
Total Revenue	1,155	1,059	+ 9.1%
Property Operating Expenses	234	200	+ 17.0%
Net Property Income	921	858	+ 7.2%
Profit After Tax ¹	148	1,570	- 90.6%
Distributable Income	663	634	+ 4.7%
Distribution Amount	597	570	+ 4.7%
Distribution per Unit (HK\$)	0.1042	0.0998	+ 4.4%
Expense Ratio (%)	20.3	18.9	+ 1.4% ²

	As of 30 Jun 2014	As of 31 Dec 2013	% Change
Gross Value of Portfolio	61,150	61,509	- 0.6%
Net Asset Value per Unit (HK\$)	7.85	7.94	- 1.1%
Gearing Ratio (%)	23.5	23.4	+ 0.1% ²

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW



Gross Revenue for the six months ended 30 June 2014 was HK\$1,155 million, an increase of 9.1% compared to the same period a year ago. Revenue improved mainly on the back of rental growth at Langham Place. Operating Expenses increased 17% to HK\$234 million as building management expenses were pushed up by general inflation while leasing commissions paid increased due to the larger floor area subject to lease rollovers at Citibank Plaza. Net Property Income for the Period amounted to HK\$921 million, a 7.2% improvement over the first six months of last year.

The appraised value of the Trust's properties as of 30 June 2014 was HK\$61,150 million, a 0.6% decrease from 31 December 2013. Net Asset Value per Unit was HK\$7.85, compared to HK\$7.94 at the end of 2013. The Gearing Ratio increased marginally to 23.5%.

Profit After Tax for the Period was HK\$148 million, as compared to HK\$1,570 million for the same period in 2013. This reduction in accounting profit was primarily due to the HK\$390 million downward revaluation of our property portfolio in 2014 against an increase in valuation of HK\$698 million in the first half of 2013. Excluding the revaluation loss and other items that are non-cash in nature, Distributable Income for the Period increased 4.7% to HK\$663 million. This is a smaller increase compared to the rise in Net Property Income as cash finance costs also increased by HK\$21 million to HK\$139 million.

Incremental debt was incurred from the acquisition of additional floors at Citibank Plaza in the second half of 2013. The Distribution Amount, set at 90% of Distributable Income, will be HK\$597 million. The Distribution per Unit ("DPU") for the Period is HK\$0.1042, up 4.4% from a year ago.

In May 2014, Champion REIT successfully refinanced HK\$7.5 billion in bank loans. The average maturity of our debt portfolio has been extended to 4.62 years as a result.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW



	6 Months Ended 30 June 2014 HK\$'000	6 Months Ended 30 June 2013 HK\$'000	% Change
Citibank Plaza			
Revenue	614,208	600,412	+ 2.3%
Operating Expenses	122,947	102,448	+ 20.0%
Net Property Income	491,261	497,964	- 1.3%
Langham Place Office Tower			
Revenue	159,344	138,408	+ 15.1%
Operating Expenses	33,293	28,124	+ 18.4%
Net Property Income	126,051	110,284	+ 14.3%
Langham Place Mall			
Revenue	381,450	319,843	+ 19.3%
Operating Expenses	78,047	69,593	+ 12.1%
Net Property Income	303,403	250,250	+ 21.2%

CITIBANK PLAZA

While business sentiment was generally positive, multinational banks remained cautious in business expansion and focused on cost control. As a result, the demand for offices from banks was weak. However with the lack of new supply of space within Central, occupancy and rent rates in Central on balance remained relatively steady in the first half of the year. Incremental demand for new office space in Central for the first half was dominated by Chinese financial firms seeking to capitalize on new financial liberalization and cross registration measures between Hong Kong and China.

Rents at Citibank Plaza have been further reduced to attract new tenants. Asking rents (the rental rate based on lettable floor area quoted

for new tenancies) are currently at HK\$75-80 per sq. ft. There was a 3.3% net gain in occupancy to 88.6% in the first half of the year even as tenancies involving 21% of the property's floor area expired. The net increase comprised mainly smaller new China-based office users. The lower effective rents for new leases commencing during the Period have resulted in some negative rental reversion. Passing rents at Citibank Plaza, which are the average rental rate of existing tenancies weighted by floor area, have come down by over HK\$2.50 per sq. ft. to HK\$82.07 per sq. ft. as of 30 June 2014.

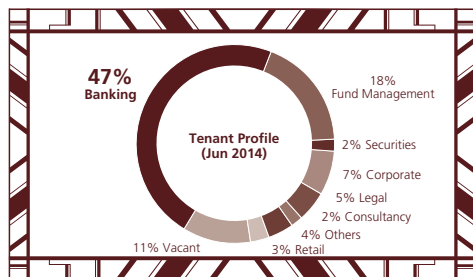
In spite of the lower passing rent, revenue at Citibank Plaza improved 2.3% to HK\$614 million due to income from the newly acquired floors and improved carpark income. On the other hand, as

the floor area renewed and newly let in the first half of this year was more than double that of the corresponding period last year, rental commission increased by HK\$8.5 million. At the same time net building management expenses (being building management expenses less amounts recovered from tenants) increased HK\$1.3 million following an increase in the building management charges. As a result, net property income was 1.3% lower, at HK\$491 million.

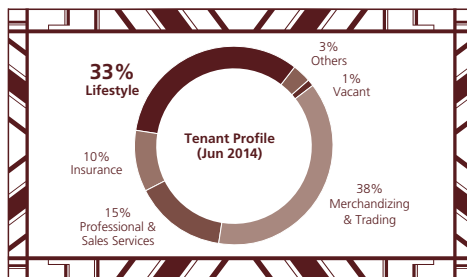
LANGHAM PLACE OFFICE TOWER

Outside of Central, the resilience of the non-financial sectors has sustained demand for office space in the other key office districts of Hong Kong, where vacancy levels have remained in the low single digits.

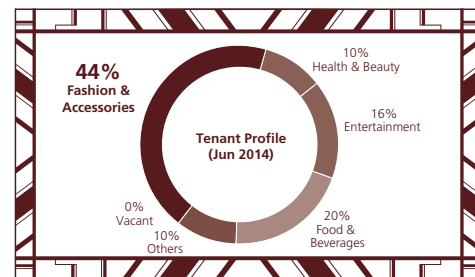
MANAGEMENT DISCUSSION AND ANALYSIS OPERATIONAL REVIEW



◆ Citibank Plaza ◆



◆ Langham Place Office ◆



◆ Langham Place Mall ◆

The occupancy rate at the Langham Place Office Tower was maintained at a high level of 98.8% as of 30 June 2014. Within that, however, a tenancy involving 10% of floor area with an expiry date immediately after mid-year 2014 has not been renewed. Though a good portion of the floor area has since been re-let, the downtime in between leases will bring down the average occupancy rate at the building during the second half of the year. Asking rents (based on gross floor area) at the Langham Place Office Tower remained unchanged at HK\$38-45 per sq. ft. The passing rent increased from HK\$32.86 at the end of last year to HK\$34.78 as of 30 June 2014. This was a result of higher rent rates achieved on 23% of the floor area subject to new leases during the first half.

Net property income at the Office Tower grew 14.3% to HK\$126 million. Revenue increased 15.1% to HK\$159 million, compared to HK\$138 million for the corresponding period in 2013. Operating expenses however increased 18.4% to HK\$33 million, again driven by increases in rental commission and building management expenses.

LANGHAM PLACE MALL

While overall Hong Kong retail sales growth in the first half of 2014 slowed down significantly due to reduced tourist spending on luxury goods, the mid-priced segment of the retail market targeted by Langham Place Mall has been relatively resilient. Tenant sales have also been boosted by the increase in floor area allocated to beauty and skincare products. In the first half of 2014, there was a 15% increase in the average sales per sq. ft. of its tenants.

During this period, tenancies representing only 4% of the Mall's floor area were rolled over, resulting in a small increase in the passing rent rate from HK\$144.26 at the end of 2013 to HK\$146.01 per sq. ft. presently. The Mall however enjoyed the follow-on effect of rent rate increases in the second half of 2013. Passing rents at mid-year 2014 were HK\$27 per sq. ft. higher than a year ago, resulting in a significant increase in base-rent income. At the same time, the excellent performance of some cosmetics and accessories retailers contributed to HK\$46.7 million in turnover rent income in the first

half of 2014 as compared with HK\$43.4 million for the same period last year, notwithstanding the higher threshold for turnover rent assessment brought about by the much higher base-rents. In all, revenue increased 19.3% from HK\$320 million to HK\$381 million. Operating expenses were up 12.1% to HK\$78 million for the Period, mainly due to increases in building management expenses. Overall, net property income increased by 21.2% from HK\$250 million to HK\$303 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK



From the macroeconomic perspective the outlook is not as bad as previously feared. The winding down of liquidity boosting measures in the United States has not created a significant drag on the global economy. U.S. economic indicators in fact point to stronger growth for the rest of this year. The Chinese economy also appeared to have stabilized after the implementation of targeted stimulus actions. A potential bright spot for the Hong Kong financial markets is the new financial liberalization measures between Hong Kong and China, including the launch of Shanghai-Hong Kong Stock Connect in October and the impending implementation of cross-registration for Hong Kong and China investment funds.

At this juncture, challenges loom ahead for Citibank Plaza. Leases on 20.6% of the floor area are due to expire in the second half of 2014, including that of a major investment bank which will vacate 14.3% of the building floor area at the end of the third quarter. Combined with the preexisting vacancy rate, over a quarter of the building could well be vacant at the end of the year. Binding commitments have been secured from new tenants for 3.5% of floor area, though their leases will commence in early 2015. However, rebuilding occupancy at Citibank Plaza will not be an easy task as the increase in fitting-out costs over the past few years has become a deterrent to relocation for larger tenants. It would be necessary for us to further increase our flexibility in pricing and lease features to garner more tenants. The weighted average rental rate

of tenancies expiring in 2014 is HK\$96.37 per sq. ft., considerably higher than the achievable market rents. Thus leasing activity will continue to generate negative rental reversion, though its major impact on our income will be seen in 2015 onwards.

In 2015 the supply of office space in the Hong Kong SAR will be above its long term average for the first time in five years. Although the bulk of this new supply is concentrated in the Kowloon East district, the rest of the Kowloon Peninsula should begin to feel its effects and rent rates may be plateauing after a multi-year rally. Nevertheless, positive rental reversions on lease rollovers at Langham Place Office Tower will continue to lead to higher income for 2014. The weighted average rental rate of expiring tenancies in 2014 is HK\$28.63 per sq. ft., which is considerably lower than the achievable market rents. We therefore expect to see further growth in office rental income in the second half.

While the change in spending patterns of mainland visitors has significantly affected the luxury retail segment in Hong Kong, the Langham Place Mall has so far been largely shielded due to its focus on cosmetics, as well as mid-priced fashion and accessories. Nonetheless, the apparent slowdown in Mainland tourist arrivals towards mid-year 2014 may have some impact on Langham Place's tenants down the road. Fortunately, our strategic reallocation of more floor area to cosmetics and fashion accessories should be able to support overall

sales growth. The leases expiring in 2014 are skewed towards the second half of the year. All of these leases have been either renewed or re-let, including a new lease on the cinema space which has taken effect in July, mostly with a material rise in their base rents. Therefore there should continue to be excellent income growth from Langham Place Mall for the remainder of 2014.

While there should continue to be strong rental growth at Langham Place, we expect the rental income at Citibank Plaza to weaken in the fourth quarter. In addition, higher interest costs from the new bank loans arranged in May and a higher effective tax rate in the second half of 2014 will also act to reduce our Distributable Income in the second half. Notwithstanding our positive interim results, investors should be aware that DPU for the second half of 2014 may be lower than that for the same period in 2013.

By Order of the Board

Eagle Asset Management (CP) Limited

(as manager of Champion Real Estate Investment Trust)

Lo Ka Shui
Chairman

Hong Kong, 12 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

VALUATION OF PROPERTIES



According to the Property Valuation Reports issued by Savills Valuation and Professional Services Limited on 30 July 2014, the valuation of the properties of Champion REIT broken down by usage as of 30 June 2014 is:

Jun 2014 Valuation	Citibank Plaza HK\$ mil	Langham Place HK\$ mil	Sub-total HK\$ mil
Office	35,059	7,573	42,632
Retail	441	16,752	17,193
Car Park	395	300	695
Miscellaneous	410	220	630
Total	36,305	24,845	61,150

Champion REIT's property portfolio is now valued at HK\$61.15 billion, a decrease of HK\$359 million from the December 2013 valuation of HK\$61.51 billion. The capitalization rate used to value Citibank Plaza has remained the same at 3.3% and its reduction in value of HK\$1.60 billion was based on lower rental assumptions. The capitalization rate used to value Langham Place was also unchanged, at 4.0%, and its HK\$1.24 billion increase in value was due to higher rental assumptions.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW



DISTRIBUTIONS

The Distribution Amount of Champion REIT for the Period was HK\$597,054,000 (six months ended 30 June 2013: HK\$570,200,000), calculated as 90% of Champion REIT's total available distributable income of HK\$663,394,000 (six months ended 30 June 2013: HK\$633,555,000).

The distribution per unit for the Period was HK\$0.1042. This represents an annualized distribution yield of 6.1% based on the closing price of HK\$3.60 as at 30 June 2014. The distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2014 and the record date. Further announcement will be made to inform Unitholders of the actual interim distribution per unit for the Period.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Wednesday, 17 September 2014 to Monday, 22 September 2014 ("Record Date"),

both days inclusive, during which period no transfer of Units will be effected. The payment of the distribution for the six months ended 30 June 2014 ("2014 Interim Distribution") will be made on 9 October 2014 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2014 Interim Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 September 2014.

DEBT PROFILE

In May 2014, the Trust arranged a 3-year HK\$3,700 million term loan and a 5-year HK\$3,800 million term loan for the purpose of refinancing loans of HK\$7,000 million and HK\$500 million which were due in May 2014 and September 2015 respectively. The 3-year HK\$3,700

million term loan bears an interest of HIBOR plus 1.20% per annum and is repayable in May 2017. The 5-year HK\$3,800 million term loan bears an interest of HIBOR plus 1.36% per annum and is repayable in May 2019.

As at 30 June 2014, total outstanding borrowings of the Trust was HK\$14,703.7 million with total fixed rate debt amounting to HK\$3,103.7 million, the same when compared to six months ago. 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 Medium Term Note ("MTN"), the Trust entered into cross currency swaps (the "CCSs") in an aggregate amount of US\$400 million. 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.

Committed Debt Facilities ⁽¹⁾

As at 30 June 2014

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 30 June 2014

	HK\$ million	% of total
Due in year 2016	2,200.0	15.0
Due in year 2017	3,700.0	25.2
Due in year 2018	1,900.0	12.9
Due in year 2019	3,800.0	25.8
Due in year 2023	3,103.7	21.1
Total	14,703.7	100.0

With the loan refinancing in May 2014, the average outstanding life of the Trust's committed debt facilities has now been extended to 4.62 years (31 December 2013: 3.11 years).

The value of the Trust's investment properties at 30 June 2014 was appraised at HK\$61,150 million, representing a 0.6% decrease from HK\$61,509 million as at 31 December 2013. Taking into account the fall in value of the property portfolio, the Gearing Ratio (or total borrowings as a percentage of gross assets) increased slightly from 23.4% as at 31 December 2013 to 23.5% as at 30 June 2014. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 28.0% (31 December 2013: 27.8%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$44,987.3 million as at 30 June 2014, a decrease of 0.8% compared to

HK\$45,364.0 million as at 31 December 2013.

The Net Asset Value per Unit as at 30 June 2014 was HK\$7.85 (31 December 2013: HK\$7.94). This is equivalent to a 118.1% premium to the closing unit price of HK\$3.60 as at 30 June 2014.

CASH POSITION

As at 30 June 2014, the Trust had total undrawn bank loan facilities of HK\$300 million (31 December 2013: HK\$300 million) and a cash balance of HK\$1,138.9 million (31 December 2013: HK\$1,066.4 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

As at 30 June 2014, properties of Champion REIT with a fair value of HK\$42,442 million (31 December 2013: HK\$43,778 million) were pledged to secure the debt facilities granted to the Trust. No property is pledged to secure the MTN.

COMMITMENTS

Except for the capital commitment of approximately HK\$9.2 million (31 December 2013: HK\$26.6 million) in respect of improvement works for investment properties contracted for but not provided in the condensed consolidated financial statements, the Trust did not have any other significant commitments as at 30 June 2014.

CORPORATE GOVERNANCE AND COMPLIANCE

CORPORATE GOVERNANCE



PRINCIPLES OF CORPORATE GOVERNANCE

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

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

AUTHORISATION STRUCTURE AND GOVERNANCE STRUCTURE

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

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Mr. Lee Ching Ming, Adrian, the 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 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.

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.

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

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. The Board also 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 corporate governance disclosures. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to the Board committees and the management team.

The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 3 Independent Non-executive Directors).

On 16 May 2014, Mr. Cheng Wai Chee, Christopher was re-designated as an Independent Non-executive Director of the REIT Manager. During Mr. Cheng's tenure as a Non-executive Director of the REIT Manager, he did not have any executive or management role or functions in the REIT Manager, Champion REIT and its special purpose vehicles, nor had he throughout such period been under the employment of any operating entities (including the REIT Manager) that managed the properties of Champion REIT, and he had only attended meetings of the Board in his capacity as a Non-executive Director. The Board and the Audit Committee are of the opinion that Mr. Cheng possesses all the characteristics to act as an Independent Non-executive Director of the REIT Manager and will be able to carry out his duties impartially and independently.

On 9 June 2014, Mr. Ip Yuk Keung, Albert was re-designated as a Non-executive Director of the REIT Manager as he was appointed as Executive Director and Chief Executive Officer of LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments ("LHI")) and Langham Hospitality Investments Limited (together with LHI, "Langham") on the same day. Langham is controlled by Great Eagle Holdings Limited ("Great Eagle"), the controlling Unitholder of Champion REIT, and is listed on the Main Board of the Stock Exchange. The re-designation is in compliance with the REIT Manager's corporate governance policy as contained in the Compliance Manual of Champion REIT.

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

The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. Following the aforesaid re-designation of Mr. Ip Yuk Keung, Albert, Mr. Ip resigned as the Chairman and a member of the Audit Committee with effect from 9 June 2014. Mr. Shek Lai Him, Abraham, an existing member of the Audit Committee, was appointed as the Chairman of the Audit Committee, and Mr. Cheng Wai Chee, Christopher was appointed as a member of the Audit Committee, both with effect from 9 June 2014. Accordingly, the Audit Committee currently comprises 2 Independent Non-executive Directors (namely, Mr. Shek and Mr. Cheng) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Shek is the Chairman of the Audit Committee.

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



CHANGES IN INFORMATION OF DIRECTORS OF THE REIT MANAGER

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

Directors	Changes of Information
Mr. Ip Yuk Keung, Albert <i>Non-executive Director of the REIT Manager (re-designated on 9 June 2014)</i>	<ul style="list-style-type: none">– Appointed as the Independent Non-executive Director of Lifestyle International Holdings Limited with effect from 22 April 2014– Appointed as the Executive Director and Chief Executive Officer of LHIL Manager Limited (as trustee-manager of LHI) and Langham Hospitality Investments Limited with effect from 9 June 2014
Mr. Cha Mou Sing, Payson <i>Independent Non-executive Director of the REIT Manager</i>	<ul style="list-style-type: none">– Resigned as a Director of Asia Television Limited in March 2014
Mr. Shek Lai Him, Abraham <i>Independent Non-executive Director of the REIT Manager</i>	<ul style="list-style-type: none">– Appointed as a Director of The Absolutely Fabulous Theatre Connection Company Limited with effect from 7 April 2014– Retired by rotation as the Independent Non-executive Director of Hsin Chong Construction Group Limited ("Hsin Chong") at the annual general meeting of Hsin Chong held on 12 May 2014

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. Moreover, Dr. Lo Ka Shui, Mr. Lo Kai Shui and Mr. Ip Yuk Keung, Albert are directors of Great Eagle and/or its affiliated companies. There may be potential conflicts of interests between Great Eagle and Champion REIT in respect of the performance of estate management services in relation to Citibank Plaza and Langham Place or other properties.

Great Eagle, headquartered in Hong Kong, is engaged principally in the development, management and investment in the 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.

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



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

The REIT Manager has instituted various procedures to deal with potential conflicts of interests issues, including but not limited to: (i) 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; (ii) 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; (iii) the REIT Manager has a team of full-time senior management and employees that operates independently of Great Eagle; and (iv) 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.

COMPLIANCE

During the six months ended 30 June 2014, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014.

The REIT Manager has adopted the Code Governing Dealings in Securities by the Management Persons ("Securities Dealings Code") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Management Persons include directors, executive officers and the company secretary of the REIT Manager. The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standard set out in the Securities Dealings Code during the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2014 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE AND COMPLIANCE

CONNECTED PARTY TRANSACTIONS REPORT



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

CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP AND/OR THE SFK CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group for the 6 months ended 30 June 2014 (“Period”).

Great Eagle Holdings Limited (“Great Eagle”) is a connected person of Champion REIT by virtue of being the holding company of the REIT Manager and also being a significant holder (as defined under the REIT Code) of Champion REIT through the direct unitholdings of its controlled corporations (including Top Domain International Limited, Keen Flow Investments Limited and Bright Form Investments Limited, each being a significant holder of Champion REIT) as more particularly described under the section headed “Disclosure of Interests” of this Interim Report. The Great Eagle Connected Persons Group means those who are connected persons of Champion REIT by virtue of their relationship (including but not limited to being a director, senior executive, officer or associate (as defined under the REIT Code)) with Great Eagle.

SFK Construction Holdings Limited (“SFK”) is a connected person of Champion REIT by virtue of being an associate (as defined under the REIT Code) of Mr. Lo Kai Shui, a director of the REIT Manager, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK. The SFK Connected Persons Group means those who are connected persons of Champion REIT by virtue of being companies and entities held or controlled by SFK.

CONNECTED PARTY TRANSACTIONS – RENTAL INCOME (REVENUE)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	197,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	1,500,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	2,853,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Leasing transaction ⁴	2,283,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	3,840,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	2,845,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	25,000
China Mobile Hong Kong Company Limited	Associate of a Director ⁷	Licence fee ⁸	117,000
Total			13,660,000

CORPORATE GOVERNANCE AND COMPLIANCE
CONNECTED PARTY TRANSACTIONS REPORT



CONNECTED PARTY TRANSACTIONS – BUILDING MANAGEMENT FEE INCOME (REVENUE)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	199,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	461,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Building management fee income ⁴	332,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁵	1,926,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁶	344,000
Total			3,262,000

CONNECTED PARTY TRANSACTIONS – ESTATE MANAGEMENT TRANSACTIONS (EXPENDITURES)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	193,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	3,036,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	45,182,000 ⁹
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	4,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ³	Marketing expense	12,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	99,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Repair and maintenance services	29,000
Total			48,555,000

Notes:

1. A security deposit by way of a bank guarantee of approximately HK\$859,000 provided by Eagle Property Management (CP) Limited was held by the Trust as at the Period end date.
2. A security deposit by way of a bank guarantee of approximately HK\$3,133,000 provided by Langham Hotels International Limited was held by the Trust as at the Period end date.
3. Langham Place Hotel (HK) Limited is the wholly owned subsidiary of Langham Hospitality Investments Limited (“Langham”) whereby Great Eagle indirectly held approximately 57.95% interests in Langham as at the Period end date. Accordingly, Langham Place Hotel (HK) Limited is the indirect subsidiary 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 Period end date.
5. A security deposit by way of a bank guarantee of approximately HK\$2,882,000 provided by Strong Dynamic Limited was held by the Trust as at the Period end date.
6. A security deposit of approximately HK\$1,408,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Period end date.
7. China Mobile Hong Kong Company Limited is an associate of Dr. Lo Ka Shui (directors of Great Eagle and the REIT Manager) by virtue of his being an independent non-executive director of China Mobile Limited, the holding company of China Mobile Hong Kong Company Limited.



8. A security deposit of approximately HK\$39,000 provided by China Mobile Hong Kong Company Limited was held by the Trust as at the Period end date.
9. Out of this HK\$45,182,000, approximately HK\$43,941,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,241,000 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 2014; so as to enable the Mall Estate Manager to make payment of estate management expenses.

PRE-EXISTING AGREEMENTS

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

PRE-EXISTING AGREEMENTS SUBJECT TO WAIVER

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

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Period HK\$
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	43,941,000
CAF Management Agreement (in relation to the common areas/facilities of Langham Place)	The Great Eagle Properties Management Company, Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	1,241,000



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 Period HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	1,420,000
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	18,730,000
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	47,332,000
DMC (deed of mutual covenant) for Citibank Plaza	The Great Eagle Properties Management Company, Limited (as DMC Sub-manager appointed by the DMC Manager of Citibank Plaza)	Subsidiary of Great Eagle	Building management fee expense ³	61,398,000

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 Period 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 Period 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 Period end date.



OTHER CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

REIT MANAGER'S FEE

Eagle Asset Management (CP) Limited, a wholly owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee of approximately HK\$110,486,000 being the 12% of the net property income of Champion REIT for such services rendered during the Period is to be settled by the issuance of new Units 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. As no change has been made, according to Clause 11.1.2 of the Trust Deed, the way of receipt of Manager's Fee as to 50% in the form of Units and 50% in cash remains applicable to the financial year 2014. For the six-month financial period ended 30 June 2014, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$55,243,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$55,243,000.

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

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

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

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

CONNECTED PARTY TRANSACTIONS – ORDINARY BANKING AND FINANCIAL SERVICES

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	553,000
HSBC Group	Trustee Connected Persons	Bank charge	46,000
HSBC ¹	Trustee Connected Persons	Loan interest/expense	15,909,000
Hang Seng ²	Trustee Connected Persons	Loan interest/expense	133,654,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swaps contracts with HSBC during the Period. The total notional amount in respect of such swap contracts with HSBC was US\$400 million as at 30 June 2014.

On 16 May 2014, CP Finance Limited (a special purpose vehicle wholly owned and controlled by Champion REIT) concluded a HK\$3,700 million term loan facility, 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\$3,700 million as at 30 June 2014.

CORPORATE GOVERNANCE AND COMPLIANCE
CONNECTED PARTY TRANSACTIONS REPORT



On 16 May 2014, CP Success Limited (a special purpose vehicle wholly owned and controlled by Champion REIT) concluded a HK\$3,800 million term loan facility, which, among others, include HSBC and 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\$3,800 million as at 30 June 2014.

CONNECTED PARTY TRANSACTIONS – LEASING/LICENSING TRANSACTIONS

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
HSBC	Trustee Connected Persons	Leasing transaction ³	1,514,000
HSBC	Trustee Connected Persons	Building management fee income ³	243,000
Total			1,757,000

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 30 June 2014.
2. Hang Seng is a subsidiary of HSBC. It acts as the facility agent for the term loan of HK\$7,000 million (which was repaid on 26 May 2014) and also for (i) the term loan and revolving credit facilities of HK\$2,500 million; and (ii) the term loans facilities of (a) HK\$3,700 million; and (b) HK\$3,800 million, which both were drawn down on 26 May 2014. The total outstanding loans as at 30 June 2014 amounted to HK\$9,700 million. Syndicates of lenders of all the facilities include Hang Seng and HSBC.
3. A security deposit of approximately HK\$1,275,000 provided by the HSBC Group was held by the Trust until the termination of tenancy on 31 March 2014.

CONNECTED PARTY TRANSACTIONS – OTHERS

During the Period, the trustee fee of approximately HK\$5,381,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

During the Period, an amount of approximately HK\$492,000 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\$92,000 was the valuation fee incurred for services rendered by Savills in its capacity as the principal valuer of Champion REIT.

Hong Kong, 12 August 2014

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

CORPORATE GOVERNANCE AND COMPLIANCE

DISCLOSURE OF INTERESTS



The REIT Code requires the unitholdings of each of the connected persons (as defined under the REIT Code) of Champion REIT to be disclosed in the interim report. Moreover, certain provisions of Part XV of the SFO in relation to disclosure of interests are deemed under Schedule 3 of the Trust Deed to be applicable to the Trust as if Champion REIT is a “listed corporation” for the purposes of Part XV of the SFO.

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

As at 30 June 2014, the interests and short positions of the following persons in the Units, underlying Units and debentures of Champion REIT which were notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were recorded in the register required to be kept under Schedule 3 of the Trust Deed, are as follows:

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	3,492,366,868	–	3,492,366,868 ¹	60.96
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 (also a Substantial Unitholder)				
Eagle Asset Management (CP) Limited	292,263,503	–	292,263,503	5.10
Substantial Unitholders				
Great Eagle Holdings Limited	3,485,337,868	–	3,485,337,868 ²	60.83
HSBC International Trustee Limited	3,448,365,017	34,307,898	3,482,672,915 ³	60.79
HKSCC Nominees Limited	2,344,508,899	–	2,344,508,899 ⁶	40.92
Top Domain International Limited	1,420,416,628	–	1,420,416,628	24.79
Keen Flow Investments Limited	913,580,933	–	913,580,933	15.95
Bright Form Investments Limited	680,232,558	–	680,232,558	11.87

Notes:

1. Among these 3,492,366,868 Units:
 - (a) 589,000 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;
 - (b) 6,200,000 Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee; and
 - (c) 3,485,337,868 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 21.92% voting rights in its share capital as at 30 June 2014.

The unitholdings of Dr. Lo Ka Shui decreased by 1,536,216 Units as compared with the position as at 31 December 2013.

CORPORATE GOVERNANCE AND COMPLIANCE

DISCLOSURE OF INTERESTS



2. The 3,485,337,868 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table, which shows the number of Units and/or underlying Units held by these companies as at 30 June 2014 and 31 December 2013 respectively:

Name	As at 30 June 2014		As at 31 December 2013	
	Number of Units Held	Number of Underlying Units Held	Number of Units Held	Number of Underlying Units Held
Top Domain International Limited	1,420,416,628	–	1,420,416,628	–
Keen Flow Investments Limited	913,580,933	–	913,580,933	–
Bright Form Investments Limited	680,232,558	–	680,232,558	–
Eagle Asset Management (CP) Limited	292,263,503	–	276,842,053	–
Fine Noble Limited	116,664,503	–	95,725,503	37,659,666
Great Eagle Nichemusic Limited	61,345,743	–	61,345,743	–
Ecobest Ventures Limited	834,000	–	–	–

3. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 6 January 2014) received from HSBC International Trustee Limited (“HITL”). When compared to the position as at 31 December 2013, the unitholdings of HITL increased by 13,707,000 Units and decreased by 16,866,253 underlying Units respectively.

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 33.42% interests in Great Eagle as at 30 June 2014. 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 21.92% voting rights in the share capital of Great Eagle as at 30 June 2014.

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 31 December 2013.
5. The number of Units held by Mr. Lee Ching Ming, Adrian remained unchanged as compared with the position as at 31 December 2013.
6. As far as the REIT Manager is aware of, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited increased by 11,030,974 Units when compared to the position as at 31 December 2013.
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 5,729,286,097 as at 30 June 2014.

Save as disclosed above, so far as is known to the REIT Manager, none of the Directors and Chief Executive of the REIT Manager and no other persons had any interests (or were deemed to be interested) and short positions in the Units, underlying Units and debentures of Champion REIT as at 30 June 2014 which were required to be notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were required to be recorded in the register kept under Schedule 3 of the Trust Deed.

HOLDINGS OF OTHER CONNECTED PERSONS

As at 30 June 2014, 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 of, 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 ³
Fortune Mega Investments Limited	163,936,151	–	163,936,151 ¹	2.86
HSBC Group	4,591,483	–	4,591,483 ²	0.08



Notes:

1. These Units were directly held by Fortune Mega Investments Limited. Its intermediate holding companies, Julian Holdings Limited, Kerry Properties Limited, Kerry Properties (Hong Kong) Limited and Spring Capital Holdings Limited, were deemed to be interested in the same parcel of Units. Each of them was a connected person by virtue of being an associate of Mr. Ho Shut Kan (a director of the REIT Manager). Their unitholdings remained unchanged as compared with the position as at 31 December 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. The number of Units held by HSBC Group decreased by 731,000 Units as compared with the position as at 31 December 2013.
3. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,729,286,097 as at 30 June 2014.

Save as disclosed above, the REIT Manager is not aware of any other connected persons (as defined under the REIT Code) of Champion REIT holding any Units and/or underlying Units of Champion REIT as at 30 June 2014.

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 30 June 2014, Great Eagle owned 60.83% interests in Champion REIT and 57.95% 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 30 June 2014 are disclosed as follows:

GREAT EAGLE

Dr. Lo Ka Shui had a personal interest in 58,150,205 shares and 1,888,000 share options and a corporate interest in 3,790,117 shares of Great Eagle as at 30 June 2014. He is the founder of a discretionary trust which owned 81,788,219 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 219,141,330 shares in Great Eagle as at 30 June 2014.

Mr. Lo Kai Shui had a personal interest in 339,508 shares and 500,000 share options and a corporate interest in 661,625 shares of Great Eagle as at 30 June 2014. He is also a discretionary beneficiary of a discretionary trust which owned 219,141,330 shares in Great Eagle as at 30 June 2014.

Mr. Lee Ching Ming, Adrian had a personal interest in 37,110 shares and 386,000 share options of Great Eagle as at 30 June 2014.

LANGHAM

Dr. Lo Ka Shui had a corporate interest in 1,000,000 share stapled units of Langham as at 30 June 2014. He was also deemed to be interested in 1,166,164,688 share stapled units of Langham held by Great Eagle as at 30 June 2014 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 30 June 2014.

Subsequent to 30 June 2014 and up to the date of this report, Mr. Ip Yuk Keung, Albert acquired a personal interest in 495,000 share stapled units of Langham.

CORPORATE GOVERNANCE AND COMPLIANCE OTHER INFORMATION



NEW UNITS ISSUED

On 11 March 2014, 15,421,450 new Units were issued to the REIT Manager at the price of HK\$3.46 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\$53,358,000 payable by Champion REIT for the six months ended 31 December 2013.

Except for the above, no new Units were issued during the six months ended 30 June 2014. As at 30 June 2014, the total number of issued Units of Champion REIT was 5,729,286,097.

REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any real estate sales and purchases transactions during the six months ended 30 June 2014.

EMPLOYEES

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is one of the tenets of Champion REIT's management philosophy. The REIT Manager recognizes that corporate social responsibility will create long-term value for 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.

BUY-BACK, SALE OR REDEMPTION OF UNITS

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 26 May 2014. During the six months ended 30 June 2014, 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.

PUBLIC FLOAT

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



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Deloitte.

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TO THE BOARD OF DIRECTORS OF EAGLE ASSET MANAGEMENT (CP) LIMITED

(as Manager of Champion Real Estate Investment Trust)

Introduction

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust (“Champion REIT”) and its controlled entities (collectively referred to as the “Group”) set out on pages 27 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The Manager of Champion REIT is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 August 2014

CONDENSED CONSOLIDATED
INCOME STATEMENT

For the six months ended 30 June 2014



	Notes	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Rental income	5	1,036,338	951,867
Building management fee income		105,838	94,932
Rental related income		12,826	11,864
Total revenue		1,155,002	1,058,663
Property operating expenses	6	(234,287)	(200,165)
Net property income		920,715	858,498
Interest income		4,850	10,456
Manager's fee	7	(110,486)	(103,020)
Trust and other expenses		(9,076)	(9,656)
(Decrease) increase in fair value of investment properties	14	(389,714)	698,166
Change in fair value of derivative components of convertible bonds	20	–	308,236
Gain on settlement of convertible bonds	20	–	29,302
Finance costs	8	(156,373)	(192,703)
Profit before tax and distribution to unitholders	9	259,916	1,599,279
Income taxes	10	(111,861)	(29,684)
Profit for the period, before distribution to unitholders		148,055	1,569,595
Distribution to unitholders		(597,054)	(570,200)
(Loss) profit for the period, after distribution to unitholders		(448,999)	999,395
Basic earnings per unit	13	HK\$0.03	HK\$0.28
Diluted earnings per unit	13	HK\$0.03	HK\$0.21

CONDENSED CONSOLIDATED

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014



	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
(Loss) profit for the period, after distribution to unitholders	(448,999)	999,395
OTHER COMPREHENSIVE INCOME (EXPENSE):		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Fair value adjustments on cross currency swaps designated as cash flow hedge	21,931	(12,184)
Reclassification of fair value adjustments to profit or loss	(2,934)	(5,375)
	18,997	(17,559)
Total comprehensive (expense) income for the period	(430,002)	981,836

CONDENSED CONSOLIDATED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014



	Notes	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	14	61,150,000	61,509,000
CURRENT ASSETS			
Trade and other receivables	15	158,559	185,352
Tax recoverable		49,666	63,634
Bank balances and cash	16	1,138,853	1,066,437
Total current assets		1,347,078	1,315,423
Total assets		62,497,078	62,824,423
CURRENT LIABILITIES			
Trade and other payables	17	1,350,859	1,328,295
Deposits received		511,014	463,122
Tax liabilities		47,058	11,437
Distribution payable		597,054	631,026
Secured bank borrowings	18	–	6,993,085
Total current liabilities		2,505,985	9,426,965
NON-CURRENT LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Secured bank borrowings	18	11,499,231	4,563,396
Medium term note	19	3,066,189	3,065,494
Derivative financial instruments	21	22,984	41,833
Deferred tax liabilities	22	415,373	362,775
Total non-current liabilities, excluding net assets attributable to unitholders		15,003,777	8,033,498
Total liabilities, excluding net assets attributable to unitholders		17,509,762	17,460,463
Net assets attributable to unitholders		44,987,316	45,363,960
Number of units in issue ('000)			
	23	5,729,286	5,713,865
Net asset value per unit			
	24	HK\$7.85	HK\$7.94

CONDENSED CONSOLIDATED

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2014



	Issued units HK\$'000 (unaudited)	Hedging reserve HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Profit less distribution HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Net assets attributable to unitholders at 1 January 2013	23,665,120	–	5,757,943	14,829,137	44,252,200
Profit for the period, after distribution to unitholders	–	–	–	999,395	999,395
Cash flow hedges	–	(17,559)	–	–	(17,559)
Total comprehensive income for the period	–	(17,559)	–	999,395	981,836
Issue of units (note 23)	107,736	–	–	–	107,736
Net assets attributable to unitholders as at 30 June 2013	23,772,856	(17,559)	5,757,943	15,828,532	45,341,772
Net assets attributable to unitholders at 1 January 2014	23,824,366	(44,914)	5,757,943	15,826,565	45,363,960
Loss for the period, after distribution to unitholders	–	–	–	(448,999)	(448,999)
Cash flow hedges	–	18,997	–	–	18,997
Total comprehensive expense for the period	–	18,997	–	(448,999)	(430,002)
Issue of units (note 23)	53,358	–	–	–	53,358
Net assets attributable to unitholders as at 30 June 2014	23,877,724	(25,917)	5,757,943	15,377,566	44,987,316

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014



Notes	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	259,916	1,599,279
Adjustments for:		
Decrease (increase) in fair value of investment properties	389,714	(698,166)
Change in fair value of derivative components of convertible bonds	–	(308,236)
Gain on settlement of convertible bonds	–	(29,302)
Manager's fee payable in units	55,243	51,510
Interest income	(4,850)	(10,456)
Exchange difference	(24)	195
Finance costs	156,373	192,703
Operating cash flow before movements in working capital	856,372	797,527
Decrease in trade and other receivables	26,620	42,031
Increase in trade and other payables	3,803	2,804
Increase in deposits received	47,892	32,370
Cash generated from operations	934,687	874,732
Interest paid	(140,199)	(71,762)
Hong Kong Profits Tax paid	(9,674)	(83,111)
Net cash from operating activities	784,814	719,859
INVESTING ACTIVITIES		
Interest received	5,023	10,537
Additions to investment properties	(13,276)	(20,834)
Stamp duty paid for the acquisition of investment properties	–	(91,600)
Deposit paid for the acquisition of investment properties	–	(215,530)
Net cash used in investing activities	(8,253)	(317,427)
FINANCING ACTIVITIES		
Bank origination fees	(73,350)	(18,750)
Redemption of convertible bonds	–	(2,406,481)
New bank loan raised	7,500,000	2,200,000
Repayment of a bank loan	(7,500,000)	(2,454,000)
Settlement upon conversion of convertible bonds	–	(322,940)
Proceeds from issuance of medium term notes	–	3,100,982
Transaction costs for the issuance of medium term notes	–	(39,230)
Distribution paid	(630,795)	(609,024)
Net cash used in financing activities	(704,145)	(549,443)
Net increase (decrease) in cash and cash equivalents	72,416	(147,011)
Cash and cash equivalents at beginning of the period	1,066,437	1,397,082
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,138,853	1,250,071

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



1. General

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

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

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

2. Principal Accounting Policies

Basis of preparation

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

Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



2. Principal Accounting Policies (Continued)

The following new or revised standards have been issued after the date of the consolidated financial statements for the year ended 31 December 2013 were authorised for issuance and not yet effective:

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

3. Fair Value Measurements of Financial Instruments

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

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

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

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2014 HK\$'000	31 December 2013 HK\$'000		
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	22,984	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.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



4. Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Manager, for the purpose of resource allocation and performance assessment are more specifically focused on the operating results of 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 period under review.

For the six months ended 30 June 2014

	Citibank Plaza HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	614,208	159,344	381,450	1,155,002
Segment results – Net property income	491,261	126,051	303,403	920,715
Interest income				4,850
Manager's fee				(110,486)
Trust and other expenses				(9,076)
(Decrease) increase in fair value of investment properties				(389,714)
Finance costs				(156,373)
Profit before tax and distribution to unitholders				259,916
Income taxes				(111,861)
Profit for the period, before distribution to unitholders				148,055
Distribution to unitholders				(597,054)
Loss for the period, after distribution to unitholders				(448,999)
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	(1,625,714)	192,000	1,044,000	(389,714)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



4. Segment Information (Continued)

Segment revenue and results (continued)

For the six months ended 30 June 2013

	Citibank Plaza HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	600,412	138,408	319,843	1,058,663
Segment results – Net property income	497,964	110,284	250,250	858,498
Interest income				10,456
Manager's fee				(103,020)
Trust and other expenses				(9,656)
(Decrease) increase in fair value of investment properties				698,166
Change in fair value of derivative components of convertible bonds				308,236
Gain on settlement of convertible bonds				29,302
Finance costs				(192,703)
Profit before tax and distribution to unitholders				1,599,279
Income taxes				(29,684)
Profit for the period, before distribution to unitholders				1,569,595
Distribution to unitholders				(570,200)
Profit for the period, after distribution to unitholders				999,395
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
(Decrease) increase in fair value of investment properties	(118,834)	182,000	635,000	698,166

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



4. Segment Information (Continued)

Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2014, the fair values of Citibank Plaza, Langham Place Office Tower and Langham Place Mall were HK\$36,305,000,000 (31 December 2013: HK\$37,900,000,000), HK\$7,573,000,000 (31 December 2013: HK\$7,381,000,000) and HK\$17,272,000,000 (31 December 2013: HK\$16,228,000,000), respectively.

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

Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the six months ended 30 June 2014. For the six months ended 30 June 2013, revenue from tenants contributing over 10% of the total revenue of the Group consists of two tenants of Citibank Plaza with revenue amounting to HK\$112,070,000 and HK\$105,718,000 respectively.

5. Rental Income

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Rental income	1,016,708	934,903
Car park income	19,630	16,964
	1,036,338	951,867

6. Property Operating Expenses

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Building management expenses	125,327	109,984
Car park operating expenses	4,621	4,705
Government rent and rates	35,215	33,815
Legal cost and stamp duty	2,911	1,442
Promotion expenses	6,112	5,648
Property and lease management service fee	31,397	29,195
Property miscellaneous expenses	1,142	947
Rental commission	21,924	13,040
Repairs and maintenance	5,638	1,389
	234,287	200,165

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



7. Manager's Fee

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2014 and 2013, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2014 and 2013 as remuneration.

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
MANAGER'S FEE:		
In the form of units	55,243	51,510
In the form of cash	55,243	51,510
	110,486	103,020

Pursuant to election allowed by the Trust Deed on 30 November 2012, the Manager has elected 50% of the Manager's fee for the six months ended 30 June 2014 and 2013 arising from the properties currently owned by Champion REIT to be settled in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% will be received in cash.

8. Finance Costs

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
FINANCE COSTS REPRESENT:		
Interest expense on bank borrowings wholly repayable within five years	95,879	66,711
Interest expense on convertible bonds wholly repayable within five years	–	71,136
Interest expense on medium term note not wholly repayable within five years	59,523	54,097
Other borrowing costs	971	759
	156,373	192,703

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



9. Profit before Tax and Distribution to Unitholders

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS HAS BEEN ARRIVED AT AFTER CHARGING (CREDITING):		
Auditor's remuneration	969	896
Trustee's fee	5,381	5,156
Principal valuer's fee	92	89
Other professional fee and charges	2,438	2,907
Roadshow and public relations expenses	24	14
Bank charges	121	99
Exchange difference	(24)	(195)

10. Income Taxes

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
HONG KONG PROFITS TAX:		
CURRENT TAX		
– Current year	59,181	47,309
– Underprovision in prior years	82	9,667
	59,263	56,976
DEFERRED TAX (NOTE 22)		
– Current year	52,598	(17,884)
– Overprovision in prior years	–	(9,408)
	52,598	(27,292)
	111,861	29,684

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



11. Total Distributable Income

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

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	148,055	1,569,595
Adjustments:		
Manager's fees payable in units	55,243	51,510
Decrease (increase) in fair value of investment properties	389,714	(698,166)
Change in fair value of derivative components of convertible bonds	–	(308,236)
Non-cash gain	–	(29,302)
Non-cash finance costs	17,784	75,446
Deferred tax	52,598	(27,292)
Total distributable income	663,394	633,555

12. Distribution Statement

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Total distributable income (note 11)	663,394	633,555
Percentage of distributable income for distribution (note (i))	90%	90%
Distributable income for Interim Distribution Period	597,054	570,200
Additional amount	–	–
Total distribution amount to be paid	597,054	570,200
Distribution per unit to unitholders (note (ii))	HK\$0.1042	HK\$0.0998

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2013: 90%) of available distributable income as the distributions for the six months ended 30 June 2014 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1042 for the six months ended 30 June 2014 is calculated based on the interim distribution to be paid of HK\$597,054,000 for the period and 5,729,286,097 units in issue as at 30 June 2014. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 22 September 2014, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 9 October 2014.

The interim distribution per unit of HK\$0.0998 for the six months ended 30 June 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 interim distribution was paid to unitholders on 9 October 2013.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



13. Basic and Diluted Earnings per Unit

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

	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
EARNINGS		
Profit for the period, before distribution to unitholders for the purpose of basic earnings per unit	148,055	1,569,595
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	–	71,136
Change in fair value of derivative components of convertible bonds	–	(308,236)
Gain on settlement of convertible bonds	–	(29,302)
Profit for the period, before distribution to unitholders for the purpose of diluted earnings per unit	148,055	1,303,193

	2014 (unaudited)	2013 (unaudited)
NUMBER OF UNITS		
Weighted average number of units for the purpose of basic earnings per unit	5,731,122,216	5,685,684,707
Effect of dilutive potential units:		
Convertible bonds	–	669,378,995
Weighted average number of units for the purpose of diluted earnings per unit	5,731,122,216	6,355,063,702

There were no diluted potential units during the six months ended 30 June 2014, therefore the diluted earnings per unit is the same as the basic earnings per unit.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



14. Investment Properties

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	61,509,000	58,297,000
Acquisition of investment properties	–	2,360,481
Additions during the period/year	30,714	42,531
(Decrease) increase in fair value during the period/year	(389,714)	808,988
At the end of the period/year	61,150,000	61,509,000

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 18 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 30 June 2014 and 31 December 2013 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 capitalisation rates for the retail and office accommodation range from 4.0% to 4.25% (31 December 2013: 4.0% to 4.25%) and 3.3% to 4.0% (31 December 2013: 3.3% to 4.0%), respectively.

The fair value of the Group's investment properties as at 31 December 2013 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety. Level 3 inputs are unobservable inputs for the asset or liability.

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

As at 30 June 2014, certain investment properties with total fair value of HK\$42,442,000,000 (31 December 2013: HK\$43,778,000,000) have been mortgaged as security for credit facilities as detailed in note 18.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



15. Trade and Other Receivables

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Trade receivables	10,648	23,032
Deferred rent receivables	96,885	99,808
Deposits, prepayments and other receivables	51,026	62,512
	158,559	185,352

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

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

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
0 – 3 months	10,648	23,032

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$10,648,000 (31 December 2013: HK\$23,032,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

16. Bank Balances and Cash

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Cash on hand	2	2
Cash at bank	659,130	269,655
Time deposits	479,721	796,780
	1,138,853	1,066,437

Bank balances carry interest at market rate of 0.001% to 0.31% per annum (31 December 2013: 0.001% to 0.01% per annum). Time deposits with a maturity of less than three months carry interest at market rates at 1.20% per annum (31 December 2013: 0.90% to 1.50% per annum).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



17. Trade and Other Payables

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Trade payables	60,284	54,408
Rental received in advance	22,661	16,154
Other payables	304,439	294,258
Accrued stamp duty	963,475	963,475
	1,350,859	1,328,295

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2013: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing.

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

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

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
0 – 3 months	60,284	54,408

18. Secured Bank Borrowings

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Secured bank borrowings	11,600,000	11,600,000
Loan front-end fees	(100,769)	(43,519)
	11,499,231	11,556,481

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



18. Secured Bank Borrowings (Continued)

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
The maturity of the secured bank borrowings is as follows:		
Within one year	–	6,993,085
More than one year but not exceeding two years	2,187,552	497,858
More than two years but not exceeding five years	9,311,679	4,065,538
	11,499,231	11,556,481
Less: amount due within one year shown under current liabilities	–	(6,993,085)
Amount due after one year	11,499,231	4,563,396

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 a floating interest rate of 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.59% per annum and was fully repaid in June 2013.

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 30 June 2014 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 bore interest at a floating rate of 1-month HIBOR plus 0.93% per annum and was fully repaid in May 2014.
- (iii) In September 2012, the Group arranged a bilateral term loan of HK\$500,000,000. The facility bore interest at a floating rate of 1-month HIBOR plus 1.85% per annum and was due to repay in September 2015. In May 2014, the Group made a voluntary prepayment and prepaid the outstanding amount of HK\$500,000,000 in full.
- (iv) In 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.
- (v) In May 2014, the Group arranged two syndicated term loans of HK\$3,700,000,000 and HK\$3,800,000,000 respectively for the purpose of refinancing the loans mentioned in (ii) and (iii) above.

The term loan facility of HK\$3,700,000,000 bears interest at a floating interest rate of 1-month HIBOR plus 1.20% per annum and is repayable in full in May 2017. The term loan facility of HK\$3,800,000,000 bears interest at a floating interest rate of 1-month HIBOR plus 1.36% per annum and is repayable in full in May 2019.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$42,442,000,000 as at 30 June 2014 (31 December 2013: HK\$43,778,000,000) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



19. Medium Term Note

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Medium term note	3,100,600	3,101,600
Origination fees	(34,411)	(36,106)
	3,066,189	3,065,494

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT. On 17 January 2013, the Group issued US\$400,000,000. 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 currency rate and interest rate are fixed by the use of cross currency swaps.

20. Convertible Bonds

On 3 June 2008, the Group, through a subsidiary Fair Vantage Limited ("Bonds Issuer"), issued HK\$4,680,000,000 1% guaranteed convertible bonds due June 2013 ("Bonds").

During the six months period ended 30 June 2013, an aggregate principal amount of HK\$322,940,000 of the Bonds were converted at a conversion price of HK\$3.34 per unit, which came into effect since 21 May 2013 as a result of Excess Distribution (as defined in the terms and conditions of the Bonds) adjustment. 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 3 June 2013, 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 contained liability components stated at amortised cost and derivative components stated at fair value. The effective interest rate of the liability component was 6.375% per annum.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



20. Convertible Bonds (Continued)

The movement of the liability and derivative components of the convertible bonds for the year ended 31 December 2013 is set out as below:

	At 31 December 2013 HK\$'000 (audited)
LIABILITY COMPONENT	
At the beginning of the year	2,742,781
Interest charged	71,136
Interest paid	(7,950)
Conversion during the year	(399,486)
Redemption during the year	(2,406,481)
At the end of the year	–
DERIVATIVE COMPONENTS	
At the beginning of the year	308,563
Change in fair value	(308,236)
Conversion during the year	(327)
At the end of the year	–
Total convertible bonds	–

21. Derivative Financial Instruments

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Cash flow hedge – cross currency swaps	22,984	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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



21. Derivative Financial Instruments (Continued)

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

During the six months ended 30 June 2014, the gain on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$21,931,000 (six months ended 30 June 2013: loss on changes of HK\$12,184,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$2,934,000 (six months ended 30 June 2013: HK\$5,375,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon payment.

22. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At the beginning of the period	381,510	(18,735)	362,775
Charge to condensed consolidated income statement during the period	39,805	12,793	52,598
At the end of the period	421,315	(5,942)	415,373

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

As at 30 June 2014, the Group has unutilised tax losses of HK\$557,115,000 (31 December 2013: HK\$634,377,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$36,011,000 (31 December 2013: HK\$113,547,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$521,104,000 (31 December 2013: HK\$520,830,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



23. Number of Units in Issue

	Number of units	HK\$'000 (unaudited)
At 1 January 2014	5,713,864,647	23,824,366
Units issued for settlement of Manager's fee	15,421,450	53,358
At 30 June 2014	5,729,286,097	23,877,724

On 11 March 2014, 15,421,450 units at HK\$3.46 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2013 to 31 December 2013.

24. Net Asset Value per Unit

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2014 of HK\$44,987,316,000 (31 December 2013: HK\$45,363,960,000) by the number of units in issue of 5,729,286,097 units as at 30 June 2014 (31 December 2013: 5,713,864,647 units).

25. Net Current Liabilities

At 30 June 2014, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$1,158,907,000 (31 December 2013: HK\$8,111,542,000).

26. Total Assets Less Current Liabilities

At 30 June 2014, the Group's total assets less current liabilities amounted to HK\$59,991,093,000 (31 December 2013: HK\$53,397,458,000).

27. Major Non-Cash Transaction

During the six months ended 30 June 2014, 15,421,450 units (six months ended 30 June 2013: 15,139,755 units) were issued as payment for the Manager's fee for the period from 1 July 2013 to 31 December 2013, amounting to HK\$53,358,000 (six months ended 30 June 2013: HK\$60,165,000).

28. Operating Leases

As at 30 June 2014, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Within one year	1,796,157	1,725,946
In the second to fifth year inclusive	3,304,636	2,511,985
Over five years	581,526	385,320
	5,682,319	4,623,251

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



28. Operating Leases (Continued)

The properties held had committed leases usually running for two to six years and rentals were predetermined at fixed amounts except for certain leases of which contingent rentals were charged based on the percentage of sales of the tenants. Contingent rental income of HK\$46,949,000 (1.1.2013 to 30.6.2013: HK\$45,426,000) was received for the period.

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

29. Capital Commitment

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the condensed consolidated financial statements	9,152	26,589

30. Connected and Related Party Transactions

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

	Notes	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
RENTAL INCOME			
China Mobile Hong Kong Company Limited	(a)	117	117
Langham Hotels International Limited	(b)	2,853	5,294
Langham Place Hotel (HK) Limited	(b)	2,283	1,748
Strong Dynamic Limited	(b)	3,840	3,637
The Great Eagle Properties Management Company, Limited	(b)	2,870	2,658
Eagle Asset Management (CP) Limited	(b)	197	197
Eagle Property Management (CP) Limited	(b)	1,500	1,500
HSBC Group ¹	(c)	1,514	8,359
INTEREST INCOME			
HSBC Group ¹	(c)	553	1,517

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



30. Connected and Related Party Transactions (Continued)

	Notes	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
BUILDING MANAGEMENT FEE INCOME			
Strong Dynamic Limited	(b)	1,926	1,754
The Great Eagle Properties Management Company, Limited	(b)	344	286
Langham Hotels International Limited	(b)	461	781
Langham Place Hotel (HK) Limited	(b)	332	303
Eagle Property Management (CP) Limited	(b)	199	182
HSBC Group ¹	(c)	243	979
BUILDING MANAGEMENT FEE			
The Great Eagle Properties Management Company, Limited	(b)	108,000	94,268
Longworth Management Limited	(b)	18,730	17,099
PROPERTY AND LEASE MANAGEMENT SERVICE FEE			
Eagle Property Management (CP) Limited	(b)	31,398	29,195
RENTAL COMMISSION			
Eagle Property Management (CP) Limited	(b)	15,934	8,771
Savills (Hong Kong) Limited	(d)	400	–
REPAIRS AND MAINTENANCE FEE			
The Great Eagle Engineering Company Limited	(b)	2,384	530
Keysen Engineering Company, Limited	(b)	123	76
The Great Eagle Properties Management Company, Limited	(b)	4	4
Sun Fook Kong Housing Services Limited	(e)	29	–
REPAIRS AND MAINTENANCE AND RENOVATIONS CONTRACTED TO			
The Great Eagle Engineering Company Limited	(b)	3,036	705
Keysen Engineering Company, Limited	(b)	189	95
The Great Eagle Properties Management Company, Limited	(b)	4	4
Sun Fook Kong Housing Services Limited	(e)	29	10
PROPERTY MISCELLANEOUS EXPENSES			
Langham Place Hotel (HK) Limited	(b)	12	18
Clever Gain Investment Limited	(b)	99	57
Grow On Development Limited	(b)	–	33
Keysen Engineering Company, Limited	(b)	4	–
TRUSTEE'S FEE AND OTHER EXPENSES			
HSBC Institutional Trust Services (Asia) Limited	(c)	5,381	5,156
HSBC Group ¹	(c)	46	60
MANAGER'S FEE			
Eagle Asset Management (CP) Limited	(b) & (f)	110,486	103,020

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



30. Connected and Related Party Transactions (Continued)

	Notes	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
FINANCE COSTS			
Hang Seng Bank Limited ²	(c)	72,172	61,202
The Hongkong and Shanghai Banking Corporation Limited	(c) & (g)	17,999	–
VALUATION FEE			
Savills Valuation and Professional Services Limited	(d)	92	139

Balances with connected and related parties are as follows:

	Notes	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
AMOUNT DUE FROM			
The Great Eagle Properties Management Company, Limited	(b) & (h)	26,760	40,034
Longworth Management Limited	(b) & (h)	15,311	15,311
Toptech Co. Limited	(b) & (h)	728	282
AMOUNT DUE TO			
Eagle Property Management (CP) Limited	(b) & (h)	21,833	12,999
Eagle Asset Management (CP) Limited	(b) & (h)	110,486	106,716
The Great Eagle Engineering Company Limited	(b) & (h)	4,018	4,699
The Great Eagle Properties Management Company, Limited	(b) & (h)	29,629	10,344
The Great Eagle Company, Limited	(b) & (h)	1	–
Keysen Engineering Company, Limited	(b) & (h)	915	1,101
Langham Place Hotel (HK) Limited	(b) & (h)	–	10
Sun Fook Kong Housing Services Limited	(e) & (h)	29	22
DEPOSITS PLACED WITH THE GROUP FOR THE LEASE OF THE GROUP'S PROPERTIES			
China Mobile Hong Kong Company Limited	(a)	39	39
Eagle Property Management (CP) Limited	(b) & (i)	–	–
The Great Eagle Properties Management Company, Limited	(b)	1,408	1,408
Strong Dynamic Limited	(b) & (j)	–	–
Langham Hotels International Limited	(b) & (k)	–	–
Langham Place Hotel (HK) Limited	(b)	1,351	1,351
HSBC Group ¹	(c)	–	1,275

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



30. Connected and Related Party Transactions (Continued)

Notes:

- (a) This company is an associate³ of Dr. Lo Ka Shui (a non-executive director and the Chairman of the Manager of Champion REIT and a director of Great Eagle Holdings Limited (“Great Eagle”)) by virtue of Dr. Lo being an independent non-executive director of the ultimate holding company of this company.
- (b) These companies are subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
- (c) These companies are the Trustee or associates³ of the Trustee.
- (d) This company is the principal valuer of Champion REIT or its associates³. An amount of HK\$50,000 out of HK\$139,000 for the six months ended 30 June 2013 relates to the valuation fee in respect of the Acquisition and was capitalised as a direct cost to the Acquisition.
- (e) This company is a subsidiary of SFK Construction Holdings Limited (“SFK”), which is an associate³ of Mr. Lo Kai Shui, a non-executive director of the Manager of Champion REIT and a director of Great Eagle, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK.
- (f) The Manager’s Fee is calculated at 12% of the net property income provided that Champion REIT achieves net property income of HK\$200 million for each of the six month period ended 30 June 2014 and 30 June 2013.
- (g) 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.
- (h) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (i) A bank guarantee of HK\$859,000 (31 December 2013: HK\$859,000) was received in lieu of deposit.
- (j) A bank guarantee of HK\$2,882,000 (31 December 2013: HK\$2,882,000) was received in lieu of deposit.
- (k) A bank guarantee of HK\$3,133,000 (31 December 2013: HK\$3,133,000) 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 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 at an upfront payment fee of HK\$18,750,000. On 26 May 2014, the term loan facility of HK\$7,000 million was refinanced together with the term loan facility of HK\$500 million by two term loan facilities of HK\$3,700 million and HK\$3,800 million at an upfront payment of HK\$27,750,000 and HK\$45,600,000 respectively. Hang Seng Bank Limited is the facility agent under the term loan facilities of HK\$3,700 million and HK\$3,800 million and term loan and revolving credit facilities of HK\$2,500 million (31 December 2013: term loan facility of HK\$7,000 million and term loan and revolving credit facilities of HK\$2,500 million). As at 30 June 2014, total loan outstanding under these three facilities was HK\$9,700 million (31 December 2013: two facilities of HK\$9,200 million).

³ As defined in the Code.

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

INVESTMENT PROPERTIES PORTFOLIO

As at 30 June 2014



Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Citibank Plaza	3 Garden Road, Central, Hong Kong	1992	1,638,000	1,268,000	88.6%	36,305.0
Langham Place Office Tower	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	703,000	703,000	98.8%	7,573.0
Langham Place Mall	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	17,272.0

PERFORMANCE TABLE



	2014 (unaudited)	2013 (unaudited)	2012 (unaudited)	2011 (unaudited)	2010 (unaudited)
AS AT 30 JUNE:					
Net asset value (HK\$'000)	44,987,316	45,341,772	39,502,273	36,677,252	29,150,470
Net asset value per unit (HK\$)	7.85	7.96	7.94	7.42	5.91
The highest traded price during the period (HK\$)	3.83	4.19	3.53	5.01	3.92
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\$)	3.25	3.29	2.90	4.32	3.23
The highest discount of the traded price to net asset value	58.60%	58.67%	63.48%	41.79%	45.35%
FOR THE SIX MONTHS ENDED 30 JUNE:					
Distribution yield per unit ²	2.89%	2.80%	3.17%	2.39%	2.96%
Annualized distribution yield per unit	6.11%	5.92%	6.70%	5.05%	6.26%
Net profit yield per unit ³	0.72%	7.74%	7.93%	17.95%	5.49%
Annualized net profit yield per unit	1.44%	15.48%	15.86%	35.90%	10.98%

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\$0.1042 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2014 over the traded price of HK\$3.60 as at 30 June 2014.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the six months ended 30 June 2014 over the traded price of HK\$3.60 as at 30 June 2014.



Champion REIT

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