

INTERIM
REPORT
中期報告

2015



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. 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

KWONG Chi Kwong
LEE Ching Ming, Adrian
WONG Ka Ki, Ada

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

Knight Frank Petty 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 2015	6 Months Ended 30 June 2014	% Change
Total Revenue	1,110	1,155	-3.9%
Property Operating Expenses	232	234	-0.8%
Net Property Income	878	921	-4.6%
Distributable Income	612	663	-7.8%
Distribution Amount	551	597	-7.8%
Distribution per Unit (HK\$)	0.0956	0.1039	-8.0%

	As of 30 Jun 2015	As of 31 Dec 2014	% Change
Gross Value of Portfolio	63,523	62,438	+1.7%
Net Asset Value per Unit (HK\$)	8.21	8.06	+1.9%
Gearing Ratio (%)	22.6	23.1	-0.5% *

Note

* Absolute change is used for figures stated in percentages.

OVERVIEW

The first half of 2015 was characterized by further decline in revenue at Citibank Plaza and continuingly higher contribution by Langham Place. At the same time, a significant portion of vacant spaces in Citibank Plaza has been leased up during the first half. Together with a steady performance at Langham Place, the Trust should see resumption of revenue growth in subsequent periods.

Total revenue for the six months ended 30 June 2015 was HK\$1,110 million, a decrease of 3.9% compared with the same period a year ago. Decrease in revenue from Citibank Plaza was the key reason as a result of the lower average occupancy and negative rental reversion for the 2015 period. Though the occupancy of Citibank Plaza office improved to 83.3% as at 30 June 2015 from 75.4% as at 31 December 2014, it was lower than that of 88.2% as at 30 June 2014. As the Trust holds a balanced property portfolio, the impact of revenue decline from Citibank Plaza was partly equalized by the increase in revenue from Langham Place. Nonetheless, Net Property Income of the Trust for the Period amounted to HK\$878 million, a drop of 4.6% (2014: HK\$921 million).

Profit after tax was HK\$1,565 million for the Period, compared with HK\$148 million for the same period in 2014. The significant increase was mainly attributable to the increase in fair value of investment properties of HK\$1,065 million for the first half of this year, compared with a valuation decline of HK\$390 million last year. Distributable Income for the Period

declined to HK\$612 million from HK\$663 million for the first half of 2014, mainly caused by a decline in Net Property Income and higher cash finance cost. Distribution per unit dropped by 8% to HK\$0.0956 for the period (2014: HK\$0.1039).

The appraised value of the Trust's properties was HK\$63,523 million as at 30 June 2015, an increase of 1.7% compared with HK\$62,438 million as at 31 December 2014, driven mainly by slightly higher rent rate assumptions.

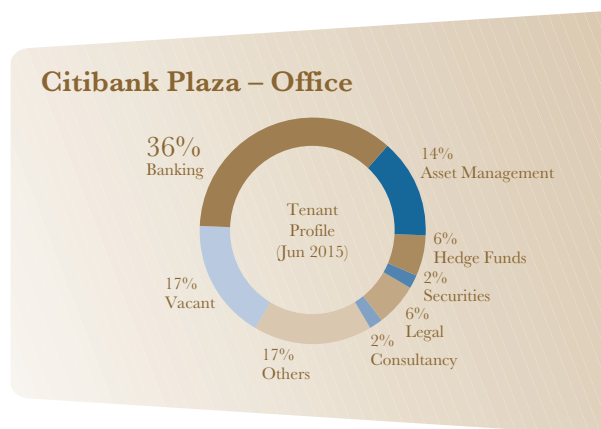
Net asset value per unit was HK\$8.21 as at 30 June 2015, increased by 1.9% compared with HK\$8.06 as at 31 December 2014. The gearing ratio decreased marginally to 22.6% as at 30 June 2015 from 23.1% as at 31 December 2014. During the period, the Trust has invested in investment grade bonds with an intention to hold to maturity and to generate stable income. Total carrying amount of notes receivables amounted to HK\$224 million as at 30 June 2015.

OPERATIONAL REVIEW

CITIBANK PLAZA

	6 Months Ended 30 June 2015	6 Months Ended 30 June 2014	% Change
	HK\$'000	HK\$'000	
Revenue	518,255	614,208	-15.6%
Operating Expenses	116,575	122,947	-5.2%
Net Property Income	401,680	491,261	-18.2%

Occupancy of Citibank Plaza office rebounded to 83.3% as at 30 June 2015 from 75.4% as at 31 December 2014 but was lower than 88.2% as at 30 June 2014. The passing office rent at Citibank Plaza as at 30 June 2015 also declined to HK\$74.75 per sq. ft. (based on lettable floor area), lower than that of HK\$82.07 per sq. ft. as at 30 June 2014. Affected by the lower average occupancy and lower average office rent, total revenue from Citibank Plaza decreased by 15.6% to HK\$518 million, as compared with HK\$614 million in the same period last year. Due to the lower occupancy, net building management fees (being building management expenses less amounts recovered from tenants) went up by HK\$3.2 million for the higher expenses on vacant units absorbed by the landlord. Since more fitting-out works were implemented to support the re-letting activities, repairs and maintenance expenses also increased by HK\$4.7 million. On the other hand, there were fewer new leases and renewals that took place in the first half, hence lower rental commission payable. Therefore total operating expenses decreased by 5.2%. Net property income for the Period dropped 18.2% to HK\$402 million from HK\$491 million last year.



The development in the Hong Kong financial markets, in particular the financial liberalization between Hong Kong and China has created both expansion and new demand for Grade-A offices in Central during the first half of 2015. Other than Mainland-based financial institutions, industries such as financial data providers closely related to the financial industry have been another source of office demand. Under the back drop of tight supply and improving demand, Central landlords have progressively improved their bargaining position during the period.

In the case of Citibank Plaza, several larger space users, who had been bidding their time, finally decided to take up the remaining large contiguous floor plates, representing roughly 12.3% of the Property, during the first half. These new leases will commence at various dates between May 2015 and January 2016. Alongside a number of other smaller tenancies, the committed occupancy has reached over 95% at the time of writing. With the occupancy situation under control, we have been progressively lifting our asking rents closer to those of other comparable properties in Central and the market response has been positive so far.

OPERATIONAL REVIEW

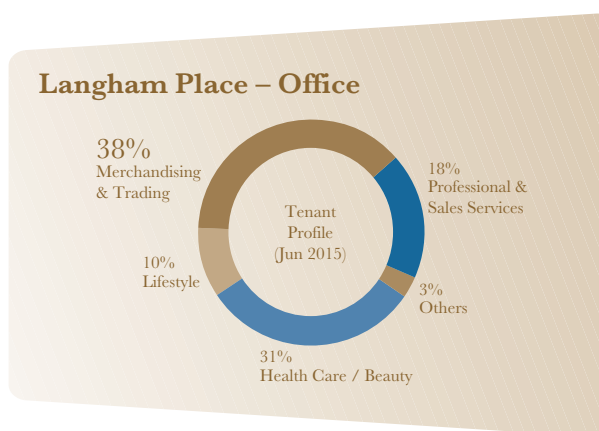
LANGHAM PLACE OFFICE TOWER

	6 Months Ended 30 June 2015	6 Months Ended 30 June 2014	% Change
	HK\$'000	HK\$'000	
Revenue	173,298	159,344	+8.8%
Operating Expenses	32,143	33,293	-3.5%
Net Property Income	141,155	126,051	+12.0%

While the take-up and market rental growth of Central office market has been gaining momentum, most of the decentralized office districts also recorded steady rental growth. The demand for Langham Place offices has continued from location-sensitive occupiers in the lifestyle, health and beauty segments for expansion and relocation.

Total revenue from Langham Place Office was HK\$173 million for the Period, an increase of 8.8% as compared with HK\$159 million for the same period last year. The revenue growth was mainly attributable to positive rental reversion when the office building remained fully occupied. The average passing rents have increased to HK\$36.21 per sq. ft. (based on gross floor area) as at 30 June 2015 from HK\$35.87 per sq. ft. as at 31 December 2014.

Net Property Income went up 12% to HK\$141 million for the Period as compared with HK\$126 million for the first half of 2014. Lower tenancy turnover has saved rental commissions by HK\$2.7 million and repairs and maintenance expenses by HK\$1.1 million.

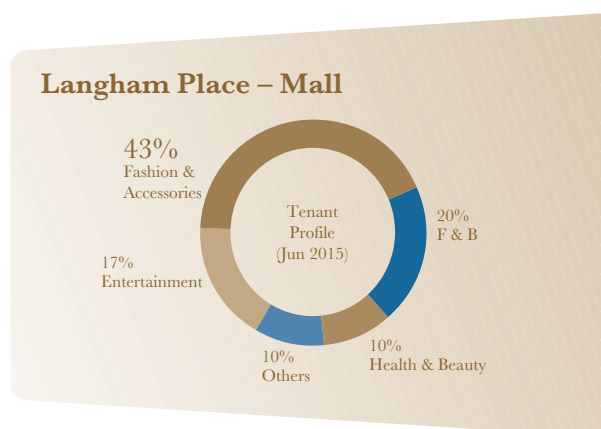


LANGHAM PLACE MALL

	6 Months Ended 30 June 2015	6 Months Ended 30 June 2014	% Change
	HK\$'000	HK\$'000	
Revenue	418,865	381,450	+9.8%
Operating Expenses	83,688	78,047	+7.2%
Net Property Income	335,177	303,403	+10.5%

The overall Hong Kong retail sales in the first half of 2015 continued to be affected by the slowdown in the luxury goods segment and the slowdown in Mainland tourist arrivals. The lingering effect of anti-tourist commotions in late 2014 and the strength of the HK Dollar have also made Hong Kong less attractive as a shopping destination. Despite the fact that Langham Place Mall is positioned for the mid-end segment, sales of tenants could not be fully immuned from this current slowdown. Trades that rely on tourists have generally seen a decline in their sales. Thankfully, the Mall has continued to see strong support from local shoppers. Locally-focused trades, such as food and beverage have been resilient in their performance. Notwithstanding the subdued retail environment, the average sales per sq. ft. of Langham Place tenants as a whole were slightly up by 2.9% year-on-year in the first six months of 2015.

Due to its strategic location and consistently strong shopper traffic, there has been no abatement in the demand for shops in the Mall, giving the landlord considerable pricing power in lease negotiations. Although tenants' sales as a whole have softened in the past few months, tenants have generally been keen on renewing their leases in the Mall and are receptive to rental increases. In a majority of the cases, double-digit rental increases



have been achievable. As a result, positive rental reversion has continued in the first half. As leases rolled over during the Period represented only 5.6% of the total floor area, passing base rents increased only marginally to HK\$166.65 per sq. ft (based on lettable floor area) as at 30 June 2015 from HK\$165.44 per sq. ft. as at 31 December 2014. However, the higher base-rent threshold coupled with a softening in the sales of tenants has held back the extra income from turnover rents, which for the period dropped moderately to HK\$41.7 million (2014: HK\$46.2 million). Total revenue from the Mall increased by 9.8% to HK\$419 million for the period compared with HK\$381 million in 2014. Net property income went up 10.5% from HK\$303 million to HK\$335 million.

In this challenging retail environment, we are increasing the events and promotion budget for the Mall to further reinforce its position as the preferred shopping destination for young local shoppers. We have also been introducing a series of exciting food and beverage outlets and regularly refreshing our line of fashion brands to keep up the Mall's appeal to its target market. Langham Place has remained a location of choice for retailers targeting local shoppers and there should be room to raise its base rents further in the coming year.

OUTLOOK

With the possible exception of the United States, most major economies of the world are showing weaknesses of varying degrees. In particular, the previous robust growth of the Chinese economy is apparently no longer being sustained. The recent volatilities in its equities markets may possibly add to the malaise. On the other hand, the Central Government appeared committed to further liberalization of its capital markets and the Renminbi regime. The newly implemented Mainland-Hong Kong Mutual Recognition of Funds, the potential Shenzhen-Hong Kong Stock Connect and other measures to enhance the financial markets connect between Hong Kong and China will continue to make Hong Kong a key office destination for mainland and international financial institutions and other professional services. The Central District, with its perennial tight supply, should be a major beneficiary.

Against this backdrop, Champion REIT has successfully stabilized the occupancy of Citibank Plaza for the coming several years and thereby built a solid foundation for the resumption of rental growth. The performance of real estate classes may deviate from each other due to the different stage

in the property cycle. The balanced portfolio of the Trust provides a balanced source of income from the office and retail sectors. The REIT's three key assets represent a good mix to compensate each other in cycles. The Langham Place Mall has been riding on the Hong Kong retail booming cycle since 2008, mitigating the volatility in occupancy and rental rates of the Citibank Plaza offices in recent years. In the coming year, the overall retail market in Hong Kong may be slowing down, but the choice location and unique positioning of Langham Place Mall should enable it to maintain some moderate income growth. Citibank Plaza, with its significant increase in committed occupancy, will take its turn to drive income growth for the Trust from 2016 onwards as the new leases become effective in the coming months. We are in the final stages of a complete renovation of the carparking area. We will also commence a major refurbishment of the main lobby areas. These should significantly enhance the asset quality of the Property and its long-term rental value. At the same time, we have also made considerable progress in renewing leases at the Langham Place Office Tower that will be due in the rest of 2015 and 2016. Its high

occupancy levels and positive rental reversions should continue into 2016.

In summary we are expecting a bottoming out of the Trust's distributable income in 2015. Top-line property income should start rising in the second half of 2015. However, as the bulk of tax allowances are typically fully deducted in the first half, there will be higher tax payable in the second half. Significant leasing commissions payable up-front on the large new leases will also temporarily suppress our bottomline in that period. We should see a resumption of growth in the REIT's distributable income in 2016.

By Order of the Board

**Eagle Asset Management (CP)
Limited**

(as manager of Champion Real Estate Investment Trust)

Lo Ka Shui

Chairman

Hong Kong, 10 August 2015

VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Knight Frank Petty Limited on 24 July 2015, the valuation of the properties of Champion REIT broken down by usage as of 30 June 2015 is:

Jun 2015 Valuation	Citibank Plaza	Langham Place	Sub-total
	HK\$ mil	HK\$ mil	HK\$ mil
Office	35,622	8,037	43,659
Retail	456	17,999	18,455
Car Park	460	320	780
Miscellaneous	410	219	629
Total	36,948	26,575	63,523

Champion REIT's property portfolio is now valued at HK\$63.5 billion, an increase of HK\$1,085 million from the December 2014 valuation of HK\$62.4 billion. The valuation increase was mainly due to higher rental assumptions. The capitalization rate used to value Citibank Plaza has increased marginally to 3.35% as at 30 June 2015 from 3.3% as at 31 December 2014. The capitalization rate used to value Langham Place was unchanged at 4.0%.

FINANCIAL REVIEW

DISTRIBUTIONS

The Distribution Amount of Champion REIT for the six months ended 30 June 2015 was HK\$550,600,000 (2014: HK\$597,054,000), calculated as 90% of Champion REIT's total available distributable income of HK\$611,778,000 (2014: HK\$663,394,000).

The distribution per unit for the Period was HK\$0.0956. Based on the Trust's distribution retention policy, this represents an annualized distribution yield of 4.7% using the closing price of HK\$4.26 as at 30 June 2015. Such distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2015 and the record date. Further announcements 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, 16 September 2015 to Monday, 21 September 2015 ("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 2015 ("2015 Interim Distribution") will be made on 8 October 2015 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2015 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, 15 September 2015.

DEBT PROFILE

On 26 March 2015, the Trust issued HK\$643 million of new 7-year unsecured notes at floating rate under the MTN Programme. The proceeds were used to partially prepay a bank loan which due in July 2018.

On 23 June 2015, an amount of US\$9.8 million of the US\$400 million 10-year unsecured notes issued in January 2013 was repurchased at a consideration of HK\$72.9 million, resulting in a gain of HK\$2.3 million. After the repurchase, the outstanding principal amount of the notes was reduced to US\$390.2 million (31 December 2014: US\$400 million). The currency exposure for both the final principal and interest payments was remained to be hedged by a total of US\$400 million cross currency swaps at an average rate of HK\$7.7593 to US\$1.00. Except for this medium term notes with an outstanding equivalent to HK\$3,027.7 million (31 December 2014: HK\$3,103.7 million) which is denominated in US Dollars, all the other interest bearing liabilities were denominated in Hong Kong Dollars.

Committed Debt Facilities ⁽¹⁾

As at 30 June 2015

HK\$ million	Total committed facilities	Undrawn facilities	Utilised facilities	Fixed rate debt	Floating rate debt
Secured Bank Loans	11,250.0	300.0	10,950.0	–	10,950.0
Medium Term Notes	3,670.7	–	3,670.7	3,027.7 ⁽²⁾	643.0
Total	14,920.7	300.0	14,620.7	3,027.7	11,593.0
Percentage	100.0%	2.0%	98.0%	20.7%	79.3%

(1) All amounts are stated at face value

(2) After accounting for cross currency swaps

Total outstanding borrowings of the Trust decreased HK\$83 million, from HK\$14,703.7 million as at 31 December 2014 to HK\$14,620.7 million as at 30 June 2015. The effective interest cost of the Trust's debt portfolio as at 30 June 2015 was 2.02%.

As at 30 June 2015, the average life of the Trust's debt outstanding was 3.77 years (31 December 2014: 4.12 years).

The Trust's investment properties at 30 June 2015 were appraised at a total value of HK\$63,523 million, representing a 1.7% increase from HK\$62,438 million as at 31 December 2014. Correspondingly, the Gearing Ratio (or total borrowings as a percentage of gross assets) decreased slightly from 23.1% as at 31 December 2014 to 22.6% as at 30 June 2015. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 27% (31 December 2014: 27.3%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$47,295.4 million as at 30 June 2015, an increase of 2.2% compared to HK\$46,275.1 million as at 31 December 2014.

The Net Asset Value per Unit as at 30 June 2015 was HK\$8.21 (31 December 2014: HK\$8.06). It represented a 92.7% premium to the closing unit price of HK\$4.26 as at 30 June 2015.

OUTSTANDING DEBT MATURITY PROFILE

As at 30 June 2015

	HK\$ million	% of total
Due in year 2016	2,200.0	15.0
Due in year 2017	3,700.0	25.3
Due in year 2018	1,250.0	8.6
Due in year 2019	3,800.0	26.0
Due in year 2022	643.0	4.4
Due in year 2023	3,027.7 ⁽²⁾	20.7
Total	14,620.7	100.0

(1) All amounts are stated at face value

(2) After accounting for cross currency swaps

CASH POSITION

As at 30 June 2015, the Trust had total undrawn bank loan facilities of HK\$300 million (31 December 2014: HK\$300 million) and a cash balance of HK\$795 million (31 December 2014: HK\$1,005.1 million). With these financial resources, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

With the expanded investment mandate in December 2014 under the REIT Code that permits investments in certain financial instruments, the Trust has started investing prudently in investment-grade corporate bonds to enhance the yield on idle funds. As at 30 June 2015, the total carrying amount of unsecured bonds was HK\$224.3 million with fixed interest rates ranging from 3.75% to 5.875% per annum and maturity dates ranging from April 2021 to May 2024. It is our intention to hold these investments till maturity.

PLEDGE ASSETS

As at 30 June 2015, properties of Champion REIT with a fair value of HK\$43,529 million (31 December 2014: HK\$42,746 million) were pledged to secure the debt facilities granted to the Trust. No property was pledged to secure the medium term notes.

COMMITMENTS

As at 30 June 2015, the Trust has authorised capital expenditure for improvement works of investment properties which is not provided for in the condensed consolidated financial statements amounting to HK\$18.3 million (31 December 2014: HK\$44 million) of which HK\$4.1 million (31 December 2014: HK\$44 million) was contracted for.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

The Directors' updated information is set out below. Upon specific enquiry by the REIT Manager and following confirmations from the Directors, save as otherwise set out in this Report, there is no change in the information of the Directors since the last published annual report of the REIT.

Dr. LO Ka Shui

aged 68, was appointed the Chairman, a Non-executive Director and members of Audit Committee and Disclosures Committee of the REIT Manager in 2006. He is also a Director of all special purpose vehicles of Champion REIT. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Langham Hospitality Investments. He is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited, all of which are listed on The Hong Kong Stock Exchange. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research, the Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority.

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

Mr. HO Shut Kan

aged 66, was appointed a Non-executive Director of the REIT Manager in 2007. He has over thirty years of experience in the property sector. He is currently serving as an Executive Director and Co-Managing Director of Kerry Properties Limited, a listed company in Hong Kong. He is also a director of Shang Properties, Inc. which is listed in the Philippines.

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

Mr. IP Yuk Keung, Albert

aged 63, has been a Director of the REIT Manager since 2011. He was an Independent Non-executive Director of the REIT Manager prior to his re-designation as a Non-executive Director of the REIT Manager in June 2014. Mr. Ip is an international banking and real estate professional with over 30 years of banking experience in Hong Kong, Asia and United States. He was North Asia Real Estate Head, Hong Kong Corporate Bank Head, Transaction Banking Head – Hong Kong and Asia Investment Finance Head (Global Wealth Management) of Citigroup. He was formerly a Managing Director of Citigroup and Managing Director of Investments in Merrill Lynch (Asia Pacific). Mr. Ip is the Executive Director and Chief Executive Officer of the Manager of the publicly listed trust, Langham Hospitality Investments. He is also an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited, Hopewell Highway Infrastructure Limited, Hopewell Holdings Limited, Lifestyle International Holdings Limited, New World China Land Limited, Power Assets Holdings Limited and TOM Group Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of Lingnan University and City University of Hong Kong. He is also a Council Member of Lingnan University, a Member of the International Advisory Committee at University of Macau, an Executive Fellow in Asia of Washington University in St. Louis and a Research Fellow of the Institute for Financial Economics of Singapore Management University. Mr. Ip holds a Bachelor of Science Degree at Washington University in St. Louis (summa cum laude), and Master of Science Degrees at Cornell University and Carnegie-Mellon University. He was an MBA lecturer at University of Pittsburgh, USA. Mr. Ip is an Honorary Fellow of Vocational Training Council. Mr. Ip was appointed as a Member of Legal Aid Services Council in September 2014 and was appointed to the Board of Governors of World Green Organisation Limited effective from 2015.

Mr. LO Kai Shui

aged 55, was appointed a Non-executive Director of the REIT Manager in 2006. He is also a Director of all special purpose vehicles of Champion REIT. Mr. Lo is the Deputy Managing Director of Great Eagle Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange, and the founder of Sun Fook Kong Group Limited. He has more than thirty years of property development, investment and building construction experience and has been involved in numerous construction projects both in public and private sectors.

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

Mr. LEE Ching Ming, Adrian

aged 64, was appointed the Chief Executive Officer, an Executive Director, a Responsible Officer and the Chairman of Disclosures Committee of the REIT Manager in 2008. He is also a Director of all special purpose vehicles of Champion REIT. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over forty-one years. Prior to joining the REIT Manager, Mr. Lee held senior management positions for more than fourteen years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management of marketing, leasing and sales activities, banking relationships, corporate communications and investor relations. He was also a Director and the General Manager of Eagle Property Management (CP) Limited, the Property Manager of Champion REIT. Mr. Lee also has over two decades of corporate real estate lending and advisory experience with a multinational banking institution. Mr. Lee is at present a Non-executive Director of Cinderella Media Group Limited.

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

Mr. CHA Mou Sing, Payson

aged 73, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman of the Board of Directors of HKR International Limited, the Chairman and Non-executive Director of Hanison Construction Holdings Limited and an Independent Non-executive Director of New World Development Company Limited, all of which are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited and the Chairman of Mingly Corporation. He is also a Director of LBJ Regents Limited and CCM Trust (Cayman) Limited, both of which are substantial shareholders of HKR International Limited.

Mr. Cha holds an Honorary Doctorate Degree of Social Science from City University of Hong Kong. He has over forty years of experience in property development.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. CHENG Wai Chee, Christopher

aged 67, has been a Director of the REIT Manager since 2006. He was a Non-executive Director of the REIT Manager prior to his re-designation as an Independent Non-executive Director of the REIT Manager in May 2014. Mr. Cheng is the Chairman of Wing Tai Properties Limited. He is an Independent Non-executive Director of several listed companies, including NWS Holdings Limited, New World China Land Limited and Kingboard Chemical Holdings Limited. He is also a director of Temasek Foundation CLG Limited and an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Cheng plays an active role in public service. He is a member of the Board of Overseers at Columbia Business School, a member of the President's Council on International Activities of Yale University, a steward of The Hong Kong Jockey Club, the former Chairman of the Hong Kong General Chamber of Commerce and a member of Judicial Officers Recommendation Commission of the Government of the HKSAR.

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

Mr. SHEK Lai Him, Abraham

aged 70, was appointed an Independent Non-executive Director in 2006. He is a member of Disclosures Committee and the Chairman of Audit Committee of the REIT Manager. Mr. Shek is a member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency since 2000 and a Director of The Hong Kong Mortgage Corporation Limited. Mr. Shek is the Chairman and an Independent Non-executive Director of Chuang's China Investments Limited, the Vice Chairman and an Independent Non-executive Director of ITC Properties Group Limited, and an Independent Non-executive Director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, Dorsett Hospitality International Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited and Jinheng Automotive Safety Technology Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Shek is also an Independent Non-executive Director of Regal Portfolio Management Limited (manager of the publicly listed Regal REIT). He is also a Non-Executive Director of the Mandatory Provident Fund Scheme Authority and the Chairman and an Independent Member of the Board of Governors of English Schools Foundation (ESF).

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

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.

The Board of Directors of the REIT Manager plays a central support and supervisory role in the corporate governance duties. It will regularly review 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.

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, Ms. Wong Ka Ki, Ada, the Deputy Chief Executive Officer and 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, and to oversee the activities of the Manager in accordance with and for compliance with the Deed of Trust constituting Champion REIT (“Trust Deed”), other relevant constitutive documents and the regulatory requirements applicable to Champion REIT. Whereas the REIT Manager is responsible for managing Champion REIT in accordance with the Trust Deed 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 Trust Deed entered into between the REIT Manager and the Trustee on 26 April 2006 as amended from time to time.

Pursuant to the Property Management Agreement, Eagle Property Management (CP) Limited (the “Property Manager”) provides 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.

CORPORATE GOVERNANCE

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. 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. The Board also has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT.

The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 3 Independent Non-executive Directors). 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. There is no change to the composition of the Board or any of its committees during the six months ended 30 June 2015.

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

CONFLICTS OF INTERESTS AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED

As mentioned hereinbefore, the REIT Manager and the Property Manager are providing the management and operating services to Champion REIT respectively. Whereas Longworth Management Limited ("Longworth") and The Great Eagle Properties Management Company, Limited ("GEPM") are acting as the respective DMC managers, CAF manager and estate manager of Citibank Plaza, Langham Place Office Tower and Langham Place Mall (as the case may be). Each of the above companies is a wholly-owned subsidiary of Great Eagle Holdings Limited ("Great Eagle"). Moreover, 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.

The Great Eagle Group is one of Hong Kong's leading property companies; the Group also owns and manages an extensive international hotel portfolio branded under The "Langham" and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, Australasia, 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, the development, investment in and management of, properties in the residential, office, retail and hotel sectors in Hong Kong and overseas.

With respect to estate management services, Longworth and GEPM together have established a team of 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. 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 and the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT.

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 whereas Great Eagle has its independent and separate leasing team to perform the property management functions for its own 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 2015, 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 2015.

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 2015.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2015 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

CONNECTED PARTY TRANSACTIONS REPORT

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

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

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group for the 6 months ended 30 June 2015 (“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	1,954,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ²	Leasing transaction ³	2,283,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	3,840,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	2,845,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	25,000
Total			11,144,000

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	255,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ²	Building management fee income ³	350,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁴	2,086,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁵	367,000
Total			3,058,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	296,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	4,077,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	46,084,000 ⁶
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	5,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle ²	Marketing expense	11,000
The Langham, Hong Kong	Subsidiary of Great Eagle ²	Marketing expense	7,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	108,000
Total			50,588,000

Notes:

1. A security deposit by way of a bank guarantee of approximately HK\$927,000 provided by Eagle Property Management (CP) Limited was held by the Trust as at the Period end date.
2. Both Langham Place Hotel (HK) Limited and The Langham, Hong Kong are the wholly owned subsidiary of Langham Hospitality Investments Limited (“Langham”) whereby Great Eagle indirectly held approximately 58.46% interests in Langham as at the Period end date. Accordingly, Langham Place Hotel (HK) Limited and The Langham, Hong Kong are the indirect subsidiary of Great Eagle.
3. 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.
4. 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.
5. 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.
6. Out of this HK\$46,084,000, approximately HK\$44,594,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,490,000 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 2015; so as to enable the Mall Estate Manager to make payment of estate management expenses.

CONNECTED PARTY TRANSACTIONS REPORT

PRE-EXISTING AGREEMENTS

The following tables set forth information on the agreements previously entered into with the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group in relation to the management and operation of Citibank Plaza and Langham Place before the acquisition by Champion REIT, which will continue to subsist and are subject to annual limits of the waiver from strict compliance with the requirements and/or reporting requirements under Chapter 8 of the REIT Code.

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	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	44,594,000
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	1,490,000

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	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	1,601,000
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	20,996,000
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	35,009,000
DMC (deed of mutual covenant) for Citibank Plaza	The Great Eagle Properties Management Company, Limited (as DMC Sub-manager appointed by the DMC Manager of Citibank Plaza)	Subsidiary of Great Eagle	Building management fee expense and contribution ³	107,509,000 ⁴

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the 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.
4. Out of this HK\$107,509,000, approximately HK\$64,177,000 represented the amount of building management fee paid under the DMC for Citibank Plaza, approximately HK\$38,498,000 represented the amount of building management fee contribution for (i) carpark repair and renovation; and (ii) base building upgrade and structural works at Citibank Plaza and remaining amount of approximately HK\$4,834,000 represented the amount of building management fee contribution for chiller replacement at Citibank Plaza.

OTHER CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

REIT Manager's fee

Eagle Asset Management (CP) Limited, a wholly owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee of approximately HK\$105,361,000 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 2015. For the six-month financial period ended 30 June 2015, the REIT Manager's fee paid and payable in the form of Units is in the amount of HK\$52,680,742 and the REIT Manager's fee paid and payable in the form of cash is in the amount of HK\$52,680,742.

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 REPORT

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	576,000
HSBC Group	Trustee Connected Persons	Bank charge	88,000
HSBC ¹	Trustee Connected Persons	Loan interest/expense	13,233,000
Hang Seng ²	Trustee Connected Persons	Loan interest/expense	74,249,000

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 2015.

During the Period, EAM-Champion REIT Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) has purchased various slots of bonds through HSBC as broker. The total cost in respect of the bonds amounted to approximately HK\$224,911,000 as at 30 June 2015.

Notes:

1. HSBC is the lender of the term loan of HK\$1,900 million which was drawn down on 8 July 2013 and the outstanding loan as at 30 June 2015 amounted to HK\$1,250 million.
2. Hang Seng is a subsidiary of HSBC. It acts as the facility agent for (i) the term loan and revolving credit facilities of HK\$2,500 million which was drawn down on 28 June 2013; 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 2015 amounted to HK\$9,700 million. Syndicates of lenders of all the facilities include Hang Seng and HSBC.

Connected Party Transactions – Others

During the Period, the trustee fee of approximately HK\$5,520,000 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, the total amount of approximately HK\$1,290,000 in aggregate were rendered for services to the Trust by Knight Frank Petty Limited (“Knight Frank”) and Savills Valuation and Professional Services Limited (“Savills”) and its connected persons. Among these, approximately HK\$85,000 and HK\$5,000 were the valuation fee incurred for services rendered by Knight Frank and Savills in the capacity as the principal valuers of Champion REIT respectively.

Hong Kong, 10 August 2015

Note: Unless otherwise specified, all figures presented in this “CONNECTED PARTY TRANSACTIONS REPORT” have been rounded to the nearest thousand.

DISCLOSURE OF INTERESTS

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

As at 30 June 2015, the following persons had interests or short positions in the Units, underlying Units and debentures of Champion REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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	3,562,891,735	3,494,095	3,566,385,830 ¹	61.93
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	321,866,370	–	321,866,370	5.59
Substantial Unitholders				
Great Eagle Holdings Limited	3,555,862,735	–	3,555,862,735 ²	61.75
HSBC International Trustee Limited	3,504,999,229	–	3,504,999,229 ³	60.86
HKSCC Nominees Limited	2,347,692,976	–	2,347,692,976 ⁶	40.77
Top Domain International Limited	1,420,416,628	–	1,420,416,628	24.66
Keen Flow Investments Limited	913,580,933	–	913,580,933	15.86
Bright Form Investments Limited	680,232,558	–	680,232,558	11.81

Notes:

1. Among these 3,566,385,830 Units:

- 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;
- 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
- 3,555,862,735 Units were indirectly held by Great Eagle Holdings Limited (“Great Eagle”) as explained in Note 2 below. Dr. Lo Ka Shui is the Chairman and Managing Director and a substantial shareholder of Great Eagle holding 22.44% voting right in its share capital as at 30 June 2015.

The unitholdings of Dr. Lo Ka Shui increased by 14,298,105 Units and decreased by 2,943,905 underlying Units as compared with the position as at 31 December 2014.

DISCLOSURE OF INTERESTS

2. The 3,555,862,735 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 2015 and 31 December 2014 respectively:

Name	As at 30 June 2015		As at 31 December 2014	
	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	321,866,370	–	307,829,265	–
Fine Noble Limited	155,325,503	–	155,325,503	–
Great Eagle Nichemusie Limited	61,345,743	–	61,345,743	–
Ecobest Ventures Limited	3,095,000	–	2,834,000	6,438,000

3. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 22 September 2014) received from HSBC International Trustee Limited (“HITL”). When compared to the position as at 31 December 2014, the unitholdings of HITL remained unchanged.
- HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 45.75% interests in Great Eagle as at 30 June 2015. 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 22.44% voting rights in the capital of Great Eagle as at 30 June 2015.
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 2014.
5. The number of Units held by Mr. Lee Ching Ming, Adrian remained unchanged as compared with the position as at 31 December 2014.
6. As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited increased by 4,900,179 Units when compared to the position as at 31 December 2014.
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 5,758,888,964 as at 30 June 2015.

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 2015 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 2015, 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	2.85
HSBC Group	5,374,038	–	5,374,038 ²	0.09

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 2014.
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 increased by 1,074,915 Units as compared with the position as at 31 December 2014.
3. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,758,888,964 as at 30 June 2015.

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 2015.

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 2015, Great Eagle owned 61.75% interests in Champion REIT and 58.46% 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 2015 are disclosed as follows:

Great Eagle

Dr. Lo Ka Shui had a personal interest in 62,026,208 shares and 2,543,000 share options and a corporate interest in 3,893,976 shares of Great Eagle as at 30 June 2015. He is the founder of a discretionary trust which owned 83,208,257 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 222,946,147 shares in Great Eagle as at 30 June 2015.

Mr. Lo Kai Shui had a personal interest in 447,138 shares and 500,000 share options and a corporate interest in 473,110 shares of Great Eagle as at 30 June 2015. He is also a discretionary beneficiary of a discretionary trust which owned 222,946,147 shares in Great Eagle as at 30 June 2015.

Mr. Lee Ching Ming, Adrian had a personal interest in 50,980 shares and 413,000 share options of Great Eagle as at 30 June 2015.

Mr. Ip Yuk Keung, Albert had a personal interest in 10,000 share options of Great Eagle as at 30 June 2015.

Langham

Dr. Lo Ka Shui had a personal interest in 1,950,500 share stapled units of Langham. He had a corporate interest in 1,000,000 share stapled units of Langham and was deemed to be interested in 1,188,345,934 share stapled units of Langham held by Great Eagle as at 30 June 2015 by virtue of being a substantial shareholder, the Chairman and Manager Director of Great Eagle. He is also a settlor and member of Advisory Committee and Management Committee of a charitable trust which owned 17,200,000 share stapled units in Langham as at 30 June 2015.

Mr. Lee Ching Ming, Adrian had a personal interest in 10,000 share stapled units of Langham as at 30 June 2015.

Mr. Ip Yuk Keung, Albert had a personal interest in 765,000 share stapled units of Langham as at 30 June 2015.

OTHER INFORMATION

NEW UNITS ISSUED

On 16 March 2015, 14,037,105 new Units were issued to the REIT Manager at the price of HK\$3.76 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 HK\$52,779,515 payable by Champion REIT for the six months ended 31 December 2014.

Except for the above, no new Units were issued during the six months ended 30 June 2015. As at 30 June 2015, the total number of issued Units of Champion REIT was 5,758,888,964.

REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the six months ended 30 June 2015.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 July 2015 is set out below:

As at 31 July 2015	Type	Primary Listing	Country of Issuer	Currency	Total Cost HK\$	Mark-to-market Value HK\$	Weighting of GAV	Credit Rating
KERPRO 5 ⁷ / ₈ 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296,000	65,996,000	0.1046%	S&P BBB-
NANFUN 4 ¹ / ₂ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	9,601,000	0.0152%	S&P BBB-
NANFUN 4 ⁷ / ₈ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	55,473,000	0.0879%	S&P BBB-
NWDEVL 5 ¹ / ₄ 02/26/21	Bond	HKEx	BVI	USD	41,574,000	41,134,000	0.0652%	N/A
PCCW 3 ³ / ₄ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	48,859,000	0.0775%	S&P BBB
Total					224,911,000	221,063,000	0.3504%	

Note: (1) The weighting of GAV is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.

(2) All figures presented above have been rounded to the nearest thousand.

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 22 May 2015. During the six months ended 30 June 2015, 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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REPORT ON REVIEW

OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust (“Champion REIT”) and its controlled entities (collectively referred to as the “Group”) set out on pages 30 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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
10 August 2015

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	Notes	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Rental income	5	986,611	1,036,338
Building management fee income		109,567	105,838
Rental related income		14,240	12,826
Total revenue		1,110,418	1,155,002
Property operating expenses	6	(232,406)	(234,287)
Net property income		878,012	920,715
Interest income		4,450	4,850
Manager's fee	7	(105,361)	(110,486)
Trust and other expenses		(7,547)	(9,076)
Increase (decrease) in fair value of investment properties	14	1,065,102	(389,714)
Gain on repurchase of medium term notes		2,273	–
Finance costs	8	(169,147)	(156,373)
Profit before tax and distribution to unitholders	9	1,667,782	259,916
Income taxes	10	(103,161)	(111,861)
Profit for the period, before distribution to unitholders		1,564,621	148,055
Distribution to unitholders		(550,600)	(597,054)
Profit (loss) for the period, after distribution to unitholders		1,014,021	(448,999)
Basic earnings per unit	13	HK\$0.27	HK\$0.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit (loss) for the period, after distribution to unitholders	1,014,021	(448,999)
Other comprehensive (expense) income:		
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	(42,319)	21,931
Reclassification of fair value adjustments to profit or loss	(4,181)	(2,934)
	(46,500)	18,997
Total comprehensive income (expense) for the period	967,521	(430,002)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	14	63,523,000	62,438,000
Notes receivables	15	224,304	–
Derivative financial instruments	21	–	3,974
Total non-current assets		63,747,304	62,441,974
CURRENT ASSETS			
Trade and other receivables	16	218,608	184,193
Tax recoverable		3,205	17,015
Bank balances and cash	17	795,024	1,005,090
Total current assets		1,016,837	1,206,298
Total assets		64,764,141	63,648,272
CURRENT LIABILITIES			
Trade and other payables	18	1,240,793	1,241,780
Deposits received		526,622	542,108
Tax liabilities		132,216	15,380
Distribution payable		550,600	573,614
Secured bank borrowings	19	2,193,802	–
Total current liabilities		4,644,033	2,372,882
NON-CURRENT LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Secured bank borrowings	19	8,688,545	11,513,630
Medium term notes	20	3,637,833	3,070,002
Derivative financial instruments	21	42,559	–
Deferred tax liabilities	22	455,740	416,628
Total non-current liabilities, excluding net assets attributable to unitholders		12,824,677	15,000,260
Total liabilities, excluding net assets attributable to unitholders		17,468,710	17,373,142
Net assets attributable to unitholders		47,295,431	46,275,130
Number of units in issue ('000)	23	5,758,889	5,744,852
Net asset value per unit	24	HK\$8.21	HK\$8.06

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2015

	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 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
Net assets attributable to unitholders at 1 January 2015	23,932,967	(240)	5,757,943	16,584,460	46,275,130
Profit for the period, after distribution to unitholders	–	–	–	1,014,021	1,014,021
Cash flow hedges	–	(46,500)	–	–	(46,500)
Total comprehensive income for the period	–	(46,500)	–	1,014,021	967,521
Issue of units (note 23)	52,780	–	–	–	52,780
Net assets attributable to unitholders as at 30 June 2015	23,985,747	(46,740)	5,757,943	17,598,481	47,295,431

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	1,667,782	259,916
Adjustments for:		
(Increase) decrease in fair value of investment properties	(1,065,102)	389,714
Manager's fee payable in units	52,680	55,243
Interest income	(4,450)	(4,850)
Gain on repurchase of medium term notes	(2,273)	–
Exchange difference	17	(24)
Finance costs	169,147	156,373
Operating cash flow before movements in working capital	817,801	856,372
(Increase) decrease in trade and other receivables	(33,892)	26,620
(Decrease) increase in trade and other payables	(909)	3,803
(Decrease) increase in deposits received	(15,486)	47,892
Cash generated from operations	767,514	934,687
Interest paid	(150,333)	(140,199)
Hong Kong Profits Tax refunded (paid)	66,597	(9,674)
Net cash from operating activities	683,778	784,814
INVESTING ACTIVITIES		
Interest received	4,494	5,023
Additions to investment properties	(19,898)	(13,276)
Additions in notes receivables	(224,911)	–
Net cash used in investing activities	(240,315)	(8,253)
FINANCING ACTIVITIES		
Bank origination fees	–	(73,350)
New bank loan raised	–	7,500,000
Repayment of bank loan	(650,000)	(7,500,000)
Proceeds from issuance of medium term notes	643,000	–
Repurchase of medium term notes	(72,944)	–
Distribution paid	(573,585)	(630,795)
Net cash used in financing activities	(653,529)	(704,145)
Net (decrease) increase in cash and cash equivalents	(210,066)	72,416
Cash and cash equivalents at beginning of the period	1,005,090	1,066,437
Cash and cash equivalents at end of the period, represented by bank balances and cash	795,024	1,138,853

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, new and revised standards and 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 and revised standards 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 2015

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 assets and 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 assets and 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)/assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2015	31 December 2014		
	HK\$'000	HK\$'000		
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	(42,559)	3,974	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.

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 2015

	Citibank Plaza HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	518,255	173,298	418,865	1,110,418
Segment results – Net property income	401,680	141,155	335,177	878,012
Interest income				4,450
Manager's fee				(105,361)
Trust and other expenses				(7,547)
Increase in fair value of investment properties				1,065,102
Gain on repurchase of medium term notes				2,273
Finance costs				(169,147)
Profit before tax and distribution to unitholders				1,667,782
Income taxes				(103,161)
Profit for the period, before distribution to unitholders				1,564,621
Distribution to unitholders				(550,600)
Profit for the period, after distribution to unitholders				1,014,021
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	596,102	168,000	301,000	1,065,102

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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 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)

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 2015, the fair values of Citibank Plaza, Langham Place Office Tower and Langham Place Mall were HK\$36,948,000,000 (31 December 2014: HK\$36,332,000,000), HK\$8,037,000,000 (31 December 2014: HK\$7,869,000,000) and HK\$18,538,000,000 (31 December 2014: HK\$18,237,000,000), respectively.

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

Information about major tenants

Revenue from tenants contributing over 10% of the total revenue of the Group for the six months ended 30 June 2015 consists of one tenant of Citibank Plaza with revenue amounting to HK\$114,054,000.

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the six months ended 30 June 2014.

5. RENTAL INCOME

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Rental income	967,640	1,016,708
Car park income	18,971	19,630
	986,611	1,036,338

6. PROPERTY OPERATING EXPENSES

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Building management expenses	131,387	125,327
Car park operating expenses	4,724	4,621
Government rent and rates	34,812	35,215
Legal cost and stamp duty	1,592	2,911
Promotion expenses	10,366	6,112
Property and lease management service fee	29,535	31,397
Property miscellaneous expenses	1,249	1,142
Rental commission	11,405	21,924
Repairs and maintenance	7,336	5,638
	232,406	234,287

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015 and 2014, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2015 and 2014 as remuneration.

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Manager's fee:		
In the form of units	52,680	55,243
In the form of cash	52,681	55,243
	105,361	110,486

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 2015 and 2014 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

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	105,678	95,879
Interest expense on medium term notes not wholly repayable within five years	62,498	59,523
Other borrowing costs	971	971
	169,147	156,373

9. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditor's remuneration	987	969
Trustee's fee	5,520	5,381
Principal valuer's fee	85	92
Other professional fee and charges	832	2,438
Roadshow and public relations expenses	19	24
Bank charges	169	121
Exchange difference	17	(24)

10. INCOME TAXES

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	64,049	59,181
– Underprovision in prior years	–	82
	64,049	59,263
Deferred tax (note 22)		
– Current year	39,112	52,598
	103,161	111,861

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

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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:

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	1,564,621	148,055
Adjustments:		
Manager's fees payable in units	52,680	55,243
(Increase) decrease in fair value of investment properties	(1,065,102)	389,714
Non-cash finance costs	20,467	17,784
Deferred tax	39,112	52,598
Total distributable income	611,778	663,394

12. DISTRIBUTION STATEMENT

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Total distributable income (note 11)	611,778	663,394
Percentage of distributable income for distribution (note (i))	90%	90%
Total distribution amount to be paid	550,600	597,054
Distribution per unit to unitholders (note (ii))	HK\$0.0956	HK\$0.1039

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2014: 90%) of available distributable income as the distributions for the six months ended 30 June 2015 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.0956 for the six months ended 30 June 2015 is calculated based on the interim distribution to be paid of HK\$550,600,000 for the period and 5,758,888,964 units in issue as at 30 June 2015. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 21 September 2015, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 8 October 2015.

The interim distribution per unit of HK\$0.1039 for the six months ended 30 June 2014 was calculated based on the interim distribution paid of HK\$597,054,000 for the period and 5,744,851,859 units as of 22 September 2014, which was the record date for the period. The interim distribution was paid to unitholders on 9 October 2014.

13. BASIC EARNINGS PER UNIT

The basic earnings per unit during the six months ended 30 June 2015 is calculated by dividing the profit for the period, before distribution to unitholders of HK\$1,564,621,000 (2014: HK\$148,055,000) with the weighted average number of units of 5,759,367,383 (2014: 5,731,122,216) in issue during the period, taking into account the units issuable as manager's fee for its service for each of the six months ended 30 June 2015 and 2014.

There were no diluted potential units during the six months ended 30 June 2015 and 2014, therefore the diluted earnings per unit has not been presented.

14. INVESTMENT PROPERTIES

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	62,438,000	61,509,000
Additions during the period/year	19,898	39,065
Increase in fair value during the period/year	1,065,102	889,935
At the end of the period/year	63,523,000	62,438,000

The fair value of the Group's investment properties at 30 June 2015 and 31 December 2014 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited and Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected to the Group, respectively. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. 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 2014: 4.0% to 4.25%) and 3.35% to 4.0% (31 December 2014: 3.3% to 4.0%), respectively.

The fair value of the Group's investment properties as at 31 December 2014 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 2015, certain investment properties with total fair value of HK\$43,529,000,000 (31 December 2014: HK\$42,746,000,000) have been mortgaged as security for credit facilities as detailed in note 19.

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. NOTES RECEIVABLE

As at 30 June 2015, the Group held unsecured bonds with aggregate carrying amounts of HK\$224,304,000, which are denominated in United States dollars with nominal values ranging from US\$1,200,000 to US\$7,640,000. The unsecured bonds bear interest at fixed interest rates ranging from 3.75% to 5.875% per annum and have maturity dates ranging from April 2021 to May 2024.

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Trade receivables	7,582	22,067
Deferred rent receivables	123,706	112,888
Deposits, prepayments and other receivables	87,320	49,238
	218,608	184,193

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 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
0 – 3 months	7,582	22,067

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$7,582,000 (31 December 2014: HK\$22,067,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

17. BANK BALANCES AND CASH

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Cash on hand	2	2
Cash at bank	425,930	344,271
Time deposits	369,092	660,817
	795,024	1,005,090

Bank balances carry interest at market rate of 0.001% to 0.31% per annum (31 December 2014: 0.001% to 0.31% per annum). Time deposits with a maturity of less than three months carry interest at market rates which range from 0.55% to 0.72% per annum (31 December 2014: 0.60% to 1.10% per annum).

18. TRADE AND OTHER PAYABLES

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Trade payables	55,747	64,792
Rental received in advance	20,686	21,182
Other payables	200,885	192,331
Accrued stamp duty	963,475	963,475
	1,240,793	1,241,780

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2014: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing.

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

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
0 – 3 months	55,747	64,792

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

19. SECURED BANK BORROWINGS

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Secured bank borrowings	10,950,000	11,600,000
Loan front-end fees	(67,653)	(86,370)
	10,882,347	11,513,630

The maturity of the secured bank borrowings is as follows:

Within one year	2,193,802	–
More than one year but not exceeding two years	3,682,420	2,190,677
More than two years but not exceeding five years	5,006,125	9,322,953
	10,882,347	11,513,630
Less: amount due within one year shown under current liabilities	(2,193,802)	–
Amount due after one year	8,688,545	11,513,630

During the reporting period, the Group made a voluntary partial repayment of HK\$650,000,000 under the secured term loan facility of HK\$1,900,000,000.

During the year ended 31 December 2014, the Group arranged two secured term loan facilities of HK\$3,700,000,000 and HK\$3,800,000,000, respectively, for the purpose of refinancing the secured term loan facility of HK\$7,000,000,000 which was due to repay in May 2014. The remaining proceeds from the two new facilities were used to fully repay the secured term loan facility of HK\$500,000,000 which was originally due to repay in September 2015.

As at 30 June 2015, the secured bank borrowings comprise the following:

- (i) HK\$1,900,000,000 secured term loan bears interest at floating interest rate of HIBOR plus 1.48% per annum and is repayable in full in July 2018. As at 30 June 2015, the outstanding amount of the loan was HK\$1,250,000,000 (31 December 2014: HK\$1,900,000,000).
- (ii) HK\$3,700,000,000 secured term loan bears interest at floating interest rate of HIBOR plus 1.20% per annum and is repayable in full in May 2017.
- (iii) HK\$3,800,000,000 secured term loan bears interest at floating interest rate of HIBOR plus 1.36% per annum and is repayable in full in May 2019.
- (iv) HK\$2,500,000,000 secured banking facility, comprising a HK\$2,200,000,000 term loan and a HK\$300,000,000 revolving credit facility, bears interest at a floating rate of HIBOR plus 1.35% per annum and is repayable in full in June 2016. As at 30 June 2015, the outstanding amount under the facility was HK\$2,200,000,000 (31 December 2014: HK\$2,200,000,000).

19. SECURED BANK BORROWINGS (CONTINUED)

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$43,529,000,000 as at 30 June 2015 (31 December 2014: HK\$42,746,000,000) 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.

20. MEDIUM TERM NOTES

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Medium term notes	3,668,025	3,102,720
Origination fees	(30,192)	(32,718)
	3,637,833	3,070,002

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term note programme (the “MTN 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 10-year unsecured notes at a fixed rate of 3.75% per annum (the “USD MTN”) under the MTN Programme. The issued medium term note is repayable in full on 17 January 2023. The currency rate and interest rate are fixed by the use of cross currency swaps.

On 26 March 2015, the Group issued HK\$643,000,000 7-year unsecured notes at a floating rate of 3-month HIBOR plus 1.275% per annum under the MTN Programme. The issued medium term note is repayable in full on 26 March 2022.

On 23 June 2015, a principal amount of US\$9,800,000 of the USD MTN was repurchased at a consideration of HK\$72,944,000 and a gain on repurchase of medium term notes amounting to HK\$2,273,000 has been recognised in the profit and loss for the period. As at 30 June 2015, the outstanding principal amount of the USD MTN was US\$390,200,000 (31 December 2014: US\$400,000,000).

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

21. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Non-current asset		
Cash flow hedge – cross currency swaps	–	3,974
Non-current liability		
Cash flow hedge – cross currency swaps	42,559	–

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

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

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

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

The fair 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 2015, the loss on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$42,319,000 (six months ended 30 June 2014: gain on changes of HK\$21,931,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$4,181,000 (six months ended 30 June 2014: HK\$2,934,000) 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	420,520	(3,892)	416,628
Charge to condensed consolidated income statement during the period	37,562	1,550	39,112
At the end of the period	458,082	(2,342)	455,740

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 2015, the Group has unutilised tax losses of HK\$525,887,000 (31 December 2014: HK\$537,267,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$14,195,000 (31 December 2014: HK\$23,586,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$511,692,000 (31 December 2014: HK\$513,681,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

23. NUMBER OF UNITS IN ISSUE

	Number of units	HK\$'000 (unaudited)
At 1 January 2015	5,744,851,859	23,932,967
Units issued for settlement of Manager's fee	14,037,105	52,780
At 30 June 2015	5,758,888,964	23,985,747

On 16 March 2015, 14,037,105 units at HK\$3.76 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2014 to 31 December 2014.

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 2015 of HK\$47,295,431,000 (31 December 2014: HK\$46,275,130,000) by the number of units in issue of 5,758,888,964 units as at 30 June 2015 (31 December 2014: 5,744,851,859 units).

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

25. NET CURRENT LIABILITIES

At 30 June 2015, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$3,627,196,000 (31 December 2014: HK\$1,166,584,000).

26. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2015, the Group's total assets less current liabilities amounted to HK\$60,120,108,000 (31 December 2014: HK\$61,275,390,000).

27. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2015, 14,037,105 units (six months ended 30 June 2014: 15,421,450 units) were issued as payment for the Manager's fee for the period from 1 July 2014 to 31 December 2014, amounting to HK\$52,780,000 (six months ended 30 June 2014: HK\$53,358,000).

28. OPERATING LEASES

As at 30 June 2015, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Within one year	1,884,024	1,814,609
In the second to fifth year inclusive	3,473,363	3,165,460
Over five years	497,463	457,017
	5,854,850	5,437,086

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\$41,963,000 (six months ended 30 June 2014: HK\$46,308,000) 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 2015, the Group has authorised capital expenditure for improvement works of investment properties which is not provided for in the condensed consolidated financial statements amounting to HK\$18,273,000 (31 December 2014: HK\$43,956,000) of which HK\$4,073,000 (31 December 2014: HK\$43,956,000) was contracted for.

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

30. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Rental income			
Langham Hotels International Limited	(a)	–	2,853
Langham Place Hotel (HK) Limited	(a)	2,283	2,283
Strong Dynamic Limited	(a)	3,840	3,840
The Great Eagle Properties Management Company, Limited	(a)	2,870	2,870
Eagle Asset Management (CP) Limited	(a)	197	197
Eagle Property Management (CP) Limited	(a)	1,954	1,500
HSBC Group ¹	(b)	–	1,514
Interest income			
HSBC Group ¹	(b)	576	553
Building management fee income			
Strong Dynamic Limited	(a)	2,086	1,926
The Great Eagle Properties Management Company, Limited	(a)	367	344
Langham Hotels International Limited	(a)	–	461
Langham Place Hotel (HK) Limited	(a)	350	332
Eagle Property Management (CP) Limited	(a)	255	199
HSBC Group ¹	(b)	–	243
Building management fee			
The Great Eagle Properties Management Company, Limited	(a)	111,862	108,000
Longworth Management Limited	(a)	20,996	18,730
Property and lease management service fee			
Eagle Property Management (CP) Limited	(a)	29,535	31,398
Rental commission			
Eagle Property Management (CP) Limited	(a)	5,474	15,934
Savills (Hong Kong) Limited	(c)	1,200	400

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TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(a)	3,958	2,384
Keysen Engineering Company, Limited	(a)	221	123
The Great Eagle Properties Management Company, Limited	(a)	5	4
Sun Fook Kong Housing Services Limited	(d)	–	29
Repairs and maintenance and renovations contracted to			
The Great Eagle Engineering Company Limited	(a)	4,077	3,036
Keysen Engineering Company, Limited	(a)	282	189
The Great Eagle Properties Management Company, Limited	(a)	5	4
Sun Fook Kong Housing Services Limited	(d)	–	29
Property miscellaneous expenses			
Langham Place Hotel (HK) Limited	(a)	11	12
Clever Gain Investment Limited	(a)	108	99
Keysen Engineering Company, Limited	(a)	14	4
The Langham, Hong Kong	(a)	7	–
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited	(b)	5,520	5,381
HSBC Group ¹	(b)	88	46
Manager's fee			
Eagle Asset Management (CP) Limited	(a) & (c)	105,361	110,486
Finance costs			
Hang Seng Bank Limited ²	(b)	86,559	72,172
The Hongkong and Shanghai Banking Corporation Limited	(b)	19,640	17,999
Valuation fee			
Savills Valuation and Professional Services Limited	(c)	5	92
Knight Frank Petty Limited	(c)	85	–

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Amount due from			
The Great Eagle Properties Management Company, Limited	(a) & (f)	58,667	27,383
Longworth Management Limited	(a) & (f)	15,311	15,311
Toptech Co. Limited	(a) & (f)	1,966	213
Amount due to			
Eagle Property Management (CP) Limited	(a) & (f)	13,343	13,555
Eagle Asset Management (CP) Limited	(a) & (f)	105,361	105,559
The Great Eagle Engineering Company Limited	(a) & (f)	3,238	2,693
The Great Eagle Properties Management Company, Limited	(a) & (f)	19,754	12,849
The Great Eagle Company, Limited	(a) & (f)	1	1
Keysen Engineering Company, Limited	(a) & (f)	617	539
Langham Place Hotel (HK) Limited	(a) & (f)	3	10
Deposits placed with the Group for the lease of the Group's properties			
Eagle Property Management (CP) Limited	(a) & (g)	–	–
The Great Eagle Properties Management Company, Limited	(a)	1,408	1,408
Strong Dynamic Limited	(a) & (h)	–	–
Langham Place Hotel (HK) Limited	(a)	1,351	1,351

NOTES

TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) These companies are subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates³ of the Trustee.
- (c) This company is the principal valuer of Champion REIT or its associates³.
- (d) 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.
- (e) 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 2015 and 30 June 2014.
- (f) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (g) A bank guarantee of HK\$927,000 (31 December 2014: HK\$927,000) was received in lieu of deposit.
- (h) A bank guarantee of HK\$2,882,000 (31 December 2014: HK\$2,882,000) 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 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 2014: 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). As at 30 June 2015, total loan outstanding under these three facilities was HK\$9,700 million (31 December 2014: HK\$9,700 million).

³ As defined in the Code.

INVESTMENT PROPERTIES

PORTFOLIO

As at 30 June 2015

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	83.8%	36,948.0
Langham Place Office Tower	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	703,000	703,000	100.0%	8,037.0
Langham Place Mall	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	18,538.0

PERFORMANCE

TABLE

	2015 (unaudited)	2014 (unaudited)	2013 (unaudited)	2012 (unaudited)	2011 (unaudited)
As at 30 June:					
Net asset value (HK\$'000)	47,295,431	44,987,316	45,341,772	39,502,273	36,677,252
Net asset value per unit (HK\$)	8.21	7.85	7.96	7.94	7.42
The highest traded price during the period (HK\$)	4.59	3.83	4.19	3.53	5.01
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\$)	3.57	3.25	3.29	2.90	4.32
The highest discount of the traded price to net asset value	56.52%	58.60%	58.67%	63.48%	41.79%
For the six months ended 30 June:					
Distribution yield per unit ²	2.24%	2.89%	2.80%	3.17%	2.39%
Annualized distribution yield per unit	4.74%	6.09%	5.92%	6.70%	5.05%
Net profit yield per unit ³	6.38%	0.72%	7.74%	7.93%	17.95%
Annualized net profit yield per unit	12.76%	1.44%	15.48%	15.86%	35.90%

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\$0.0956 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2015 over the traded price of HK\$4.26 as at 30 June 2015.
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 2015 over the traded price of HK\$4.26 as at 30 June 2015.



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