



Champion REIT
冠君產業信託



Turning With Tides For Sustainable Prospects

Annual Report 2015

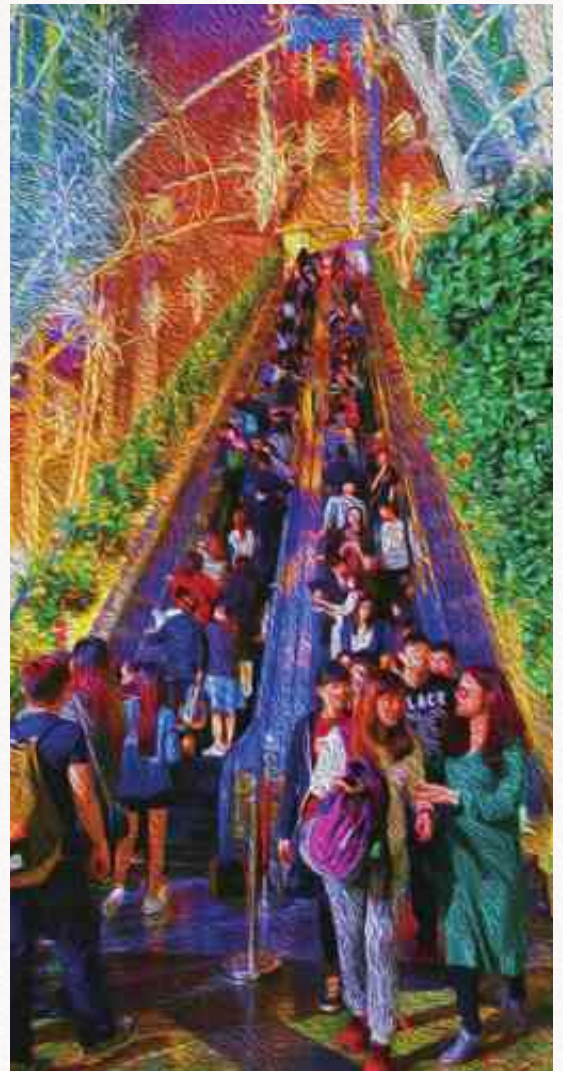
Trust Profile

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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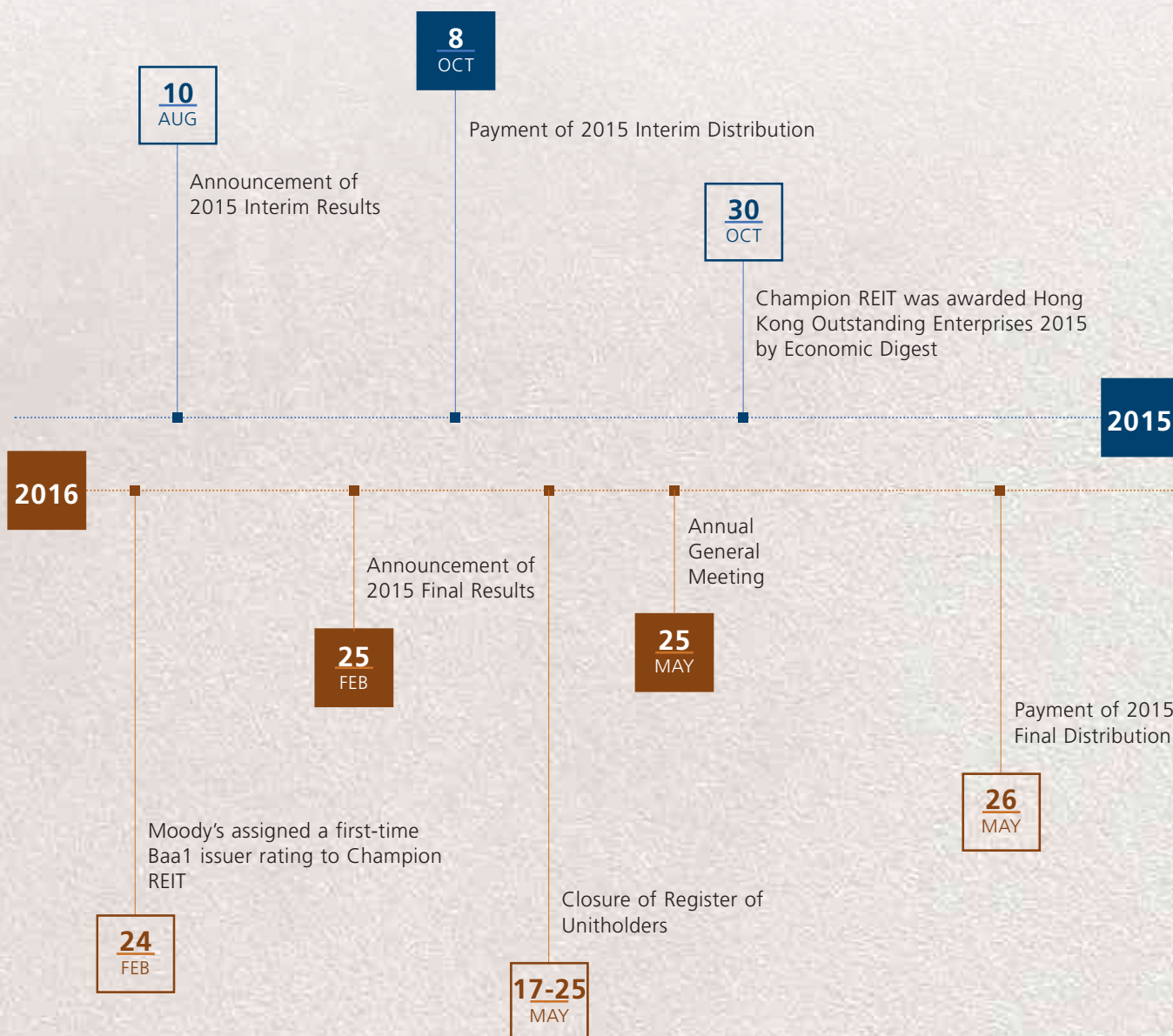
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Corporate Information

Timeline of Significant Events



Five Year Financial Summary

For the year ended 31 December

2011	2012	2013	2014	2015	PROFIT (HK\$ MIL)
\$1,776	\$1,886	\$1,989	\$2,080	\$2,063	Total Rental Income
(\$214)	(\$220)	(\$241)	(\$280)	(\$279)	Net Operating Expenses
\$1,562	\$1,666	\$1,748	\$1,800	\$1,784	Net Property Income
\$6,493	\$4,160	\$2,199	\$1,929	\$3,305	Profit After Tax
2011	2012	2013	2014	2015	DISTRIBUTIONS (HK\$)
\$1,170	\$1,254	\$1,271	\$1,234	\$1,212	Distributable Income (mil)
\$1,111	\$1,186	\$1,201	\$1,171	\$1,146	Distribution Amount (mil)
\$0.224	\$0.209	\$0.210	\$0.204	\$0.199	Distribution per Unit
2011	2012	2013	2014	2015	VALUATION (HK\$)
\$54,857	\$58,297	\$61,509	\$62,438	\$64,783	Gross Value of Portfolio (mil)
\$7.82	\$7.80	\$7.94	\$8.06	\$8.40	Net Asset Value per Unit
2011	2012	2013	2014	2015	FINANCIAL RATIOS
12.0%	11.7%	12.1%	13.5%	13.5%	Expense Ratio
94.4%	94.6%	94.5%	94.8%	94.5%	Payout Ratio
25.0%	20.4%	23.4%	23.1%	22.1%	Gearing Ratio
2011	2012	2013	2014	2015	OPERATIONAL STATISTICS
90.0%	88.7%	84.8%	75.4%	91.2%	Citibank Plaza Office Occupancy
\$85.15	\$85.12	\$84.60	\$77.53	\$75.39	... and Passing Rent (HK\$ psf)
96.8%	99.2%	99.0%	100.0%	100.0%	Langham Place Office Occupancy
\$27.43	\$28.36	\$32.86	\$35.87	\$37.50	... and Passing Rent (HK\$ psf)
100.0%	100.0%	100.0%	100.0%	100.0%	Langham Place Mall Occupancy
\$100.77	\$114.89	\$144.26	\$165.44	\$174.54	... and Passing Rent (HK\$ psf)

Chairman's Report to Unitholders

The results of 2015 demonstrated the complementary nature of the Trust's property portfolio. The continued growth in the income from Langham Place largely offset the decline in income at Citibank Plaza, where the occupancy was being ramped up.

We expect the Trust to resume the growth in distributable income in 2016. The significant progress in leasing up of Citibank Plaza, together with higher achieved rents, will be a key growth driver.

Dr. LO Ka Shui
Chairman



The results of 2015 demonstrated the complementary nature of the Trust's property portfolio. The continued growth in the income from Langham Place largely offset the decline in income at Citibank Plaza, where the occupancy was being ramped up. In fact the leasing of Citibank Plaza has been successfully turned around during 2015, with a sharply higher level of leasing commitments. As the new lease signings gradually translated into actual occupancy in the latter part of 2015 and early part of 2016, coupled with higher rental rates, the property should bring significant income growth to the REIT in the coming year.

Total Rental Income of the Trust for 2015 was HK\$2,062.7 million, slightly down from HK\$2,080.2 million for 2014. The growth in income from Langham Place has compensated for the drop at Citibank Plaza. With occupancy of Citibank Plaza significantly increased to 91.2% as at 31 December 2015 from 75.4% as at 31 December 2014, rental income from the property had bottomed out in the second half of 2015.

Net operating expenses declined slightly by 0.3% to HK\$279.0 million. The savings in net building management expenses and rental commission at Langham Place have offset the higher rental commission and repairs and maintenance expenses in Citibank Plaza. Net Property Income went down marginally by 0.9% to HK\$1,783.6 million (2014: HK\$1,800.4 million). Profit after tax for 2015 recorded an increase of 71.4% to HK\$3,305.0 million (2014: HK\$1,928.6 million), primarily

driven by the increase in fair value of investment properties of HK\$2,278.5 million, compared with an increase of HK\$889.9 million in 2014.

For the second half of 2015, Total Rental Income of the Trust increased by 6.1% compared with the first half, mainly the result of the bottoming out of rental income of Citibank Plaza, which increased by 8.3% half-on-half to HK\$502.4 million (1H15: HK\$464.0 million). Similarly, Net Property Income had also bottomed out in the second half at HK\$905.6 million, 3.1% higher than the first half.

Total Distributable Income for full year 2015 amounted to HK\$1,212.1 million, decreasing by 1.8% compared with HK\$1,234.4 million in 2014, mainly due to a transitory decrease in Net Property Income and higher cash finance expenses. Factoring in the HK\$61.2 million of distributable income retained from the interim period, Distribution Amount for the year would be HK\$1,145.9 million, 2.1% lower than 2014. Final Distribution Per Unit ("DPU") would be HK\$0.1031. Together with the Interim DPU of HK\$0.0954 paid, total DPU for 2015 would be HK\$0.1985, a decline of 2.5% compared with 2014.

The appraised value of the Trust's properties was HK\$64,783.0 million as at 31 December 2015, an increase of 3.8% compared with HK\$62,438.0 million as at 31 December 2014, mainly driven by higher rental assumptions. The rise in office rental of Citibank Plaza has been more than sufficient to counterbalance the impact of

capitalization rate expansion. As a result, net asset value per unit was HK\$8.40 as at 31 December 2015, increasing by 4.2% compared with HK\$8.06 as at 31 December 2014. The increase in asset valuation has also contributed to the decrease in gearing ratio from 23.1% as at 31 December 2014 to 22.1% as at 31 December 2015.

On 24 February 2016, credit rating agency Moody's assigned an investment-grade Baa1 issuer rating to Champion REIT. This will supplement the solid support that we have all along been receiving from the commercial banks and should open up more opportunities in the debt capital market for cost-effective financing to diversify our funding sources.

During the financial year, the Trust has invested in investment grade bonds to enhance the yield on funds that had previously been placed in bank deposits earning minimal interest. Total carrying amount of notes receivables amounted to HK\$223.2 million as at 31 December 2015.

We expect the Trust to resume the growth in distributable income in 2016. The significant progress in leasing up of Citibank Plaza, together with higher achieved rents, will be a key growth driver. Positive rental reversion at Langham Place Office should also bring modest gains in income, while the contribution from Langham Place Mall should be stable.

LO Ka Shui
Chairman

CEO's Review



The performance of global equities markets and the continuing slowdown of the China economy and the depreciation of the Renminbi should point to a challenging outlook for the Hong Kong economy in the year ahead.

Under the current macro outlook, we will continue to focus on enhancing the performance of the existing asset portfolio.

The Trust plans to allocate more promotion expenses to draw footfall and to work closely with tenants to stimulate their sales.

Mr. LEE Ching Ming, Adrian
Chief Executive Officer

The Trust has been evaluating various options to optimize the debt portfolio. The principal bankers have been supportive to the financing needs of the Trust.

To further strengthen the options in cost effective debt funding, we have obtained a first-time Baa1 issuer rating from Moody's which will help open up more opportunities in the debt capital market.

While the existing portfolio will provide the basis for organic income in the coming several years, we will continue to explore acquisition opportunities for long-term growth with a conservative and disciplined approach.

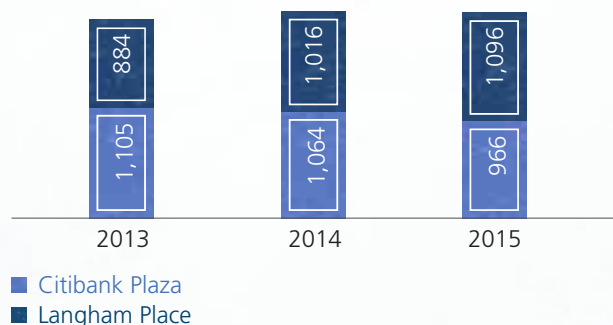


Ms. WONG Ka Ki, Ada

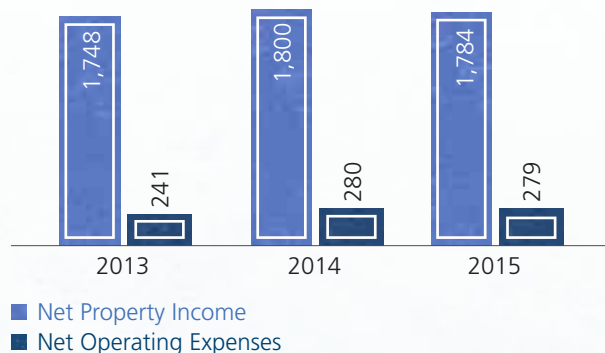
Deputy Chief Executive Officer and Chief Investment Officer

CEO's Review

Rental Income (HK\$ million)



Net Property Income (HK\$ million)



CITIBANK PLAZA

Citibank Plaza is undergoing a turnaround in various aspects, including occupancy, rent rates and image. Though the property had earlier encountered some volatility in occupancy and rental after the departure of some large-space users, the situation has substantially stabilized during the course of 2015. Notwithstanding recent stock market volatility and

market concern on the economic outlook, leasing enquiries at Citibank Plaza have been steady. Mainland-based financial companies are at present the most important source of office demand, including both expansion and new demand. Several larger leases signed in the first half of 2015 commenced in the second half and occupancy of Citibank Plaza improved to 91.2% as at 31 December 2015 from 83.3%

as at 30 June 2015 and 75.4% as at 31 December 2014. With other incremental lettings pending closing, the committed occupancy is around 94%. We have correspondingly been raising the asking rents for both new lettings and renewals. The latest achieved rent rates have surpassed HK\$100 per lettable sq. ft. as compared to the passing office rent as at 31 December 2015 of HK\$75.39 per lettable sq. ft.

	FY2015 HK\$'000	FY2014 HK\$'000	% Change
Citibank Plaza			
Rental Income	966,419	1,064,055	-9.2%
Net Operating Expenses	145,744	131,886	10.5%
Net Property Income	820,675	932,169	-12.0%
Langham Place Office Tower			
Rental Income	306,019	281,386	8.8%
Net Operating Expenses	22,585	28,275	-20.1%
Net Property Income	283,434	253,111	12.0%
Langham Place Mall			
Rental Income	790,227	734,732	7.6%
Net Operating Expenses	110,713	119,639	-7.5%
Net Property Income	679,514	615,093	10.5%

Compared to full year 2014, Rental Income for 2015 was down 9.2% to HK\$966.4 million, from HK\$1,064.1 million in 2014. The contraction in rental income was mainly attributable to the lower average occupancy and rent rate. While we had made considerable headway in leasing up Citibank Plaza during the course of the year, many of the new leases did not become effective till the latter part of the year. The turnaround has, however, begun.

Net Property Income for full year 2015 decreased by 12.0% to HK\$820.7 million due to higher one-off expenses incurred to support the leasing up. Most significantly rental commissions of HK\$39.5 million were incurred in 2015, as compared to HK\$29.1 million in 2014. More fitting-out works were also required, driving up repairs and maintenance expenses from HK\$7.4 million in 2014 to HK\$16.5 million in 2015. Overall net operating expenses went up 10.5% to HK\$145.7 million.

The bottoming out of income from the property in the second half was mainly driven by the improvement in average occupancy to 86%, up from 79% in the first half. Rental income as a result went up by 8.3% half-on-half to HK\$502.4

million (1H15: HK\$464.0 million). Notwithstanding a 34.0% increase in expenses half-on-half, mainly caused by one-off charging of rental commission, Net Property Income for the second half of 2015 grew 4.3% half-on-half to HK\$419.0 million (1H15: HK\$401.7 million).

While the turnaround in the leasing of the property has been underway, we have also taken the opportunity to enhance the long-term competitiveness of the Property by updating the hardware. A major renovation of the car park has been completed, giving it a brand new look and much improved ingress and egress logistics. The significant uplift in the quality and image should pave the way for meaningful increases in parking income in the coming year. Major refurbishment of the main lobby areas is also at an advanced stage to reinforce the image of Citibank Plaza as a premium office complex in Central. At the same time we are also significantly improving the amenities for tenants as part of the asset enhancement. Apart from the introduction of a stronger branded state-of-the-art fitness centre at the turn of the year, there will also be a major upgrade of bar and restaurant services which will be completed in the spring.

LANGHAM PLACE OFFICE TOWER

The prime location of Langham Place Office Tower has continued to make it a top choice for location-sensitive occupiers in lifestyle trades. The proportion of lifestyle, health care and beauty tenants, which are complementary to the Mall, has increased to over 40%. With that, it has been largely free of pricing competition from the new supply in decentralized areas. The property remains fully occupied as at 31 December 2015.

Total Rental Income from Langham Place Office went up by 8.8% to HK\$306.0 million for 2015, compared with HK\$281.4 million for 2014. Positive rental reversion was a key driver for the growth. Supported by the location-sensitive tenants, the average passing rents recorded a steady increase to HK\$37.50 per sq. ft. (based on gross floor area) as at 31 December 2015, compared with HK\$35.87 per sq. ft. as at 31 December 2014.

The lower tenancy turnover of the office tower has led to savings in rental commissions, which in turn reduced the net operating expenses by 20.1%. Net Property Income was HK\$283.4 million for 2015, an increase of 12.0% as compared with HK\$253.1 million for 2014.

CEO's Review

With a moderate growth in rental rates, rental income of the second half gently improved to HK\$153.7 million from HK\$152.3 million in the first half. Net Property Income also stayed steady. (2H15: HK\$142.3 million vs 1H15: HK\$141.2 million).

LANGHAM PLACE MALL

The mid-end positioning and the high-quality marketing and promotion of Langham Place Mall have mitigated some of the headwinds facing the Hong Kong retail market. Full year footfall in 2015 at the Mall was similar to that of 2014. That said, the slowdown in Mainland tourist arrivals and the strong Hong Kong Dollar have impacted those trades more exposed to tourists spending. Nevertheless, while the overall retail sales for Hong Kong recorded a decline of 3.7% in 2015, average sales per sq. ft. of tenants in Langham Place Mall experienced an increase of 1.8% in 2015, outperforming the market. The outperformance was mainly supported by local shoppers, with segments like cosmetics, food and beverage showing respectable growth.

Total rental income in 2015 has remained on an upward trend despite a slight drop in turnover rent to HK\$92.2 million as compared to HK\$96.5 million in 2014. That in no way was any

indication that sales had weakened. Rather it was because we had earlier substantially raised the base rents on some large leases, thereby raising the thresholds for triggering turnover rents. Total rental income of Langham Place Mall was HK\$790.2 million for 2015, an increase of 7.6% as compared with HK\$734.7 million for 2014. In general, the vast majority of tenants have been keen to maintain their presence in the Mall and have been receptive to higher rents, driving continuous positive rental reversions. Passing base rents increased to HK\$174.54 per lettable sq. ft. as at 31 December 2015 (2014: HK\$165.44 per sq. ft). Net operating expenses went down as lower tenancy turnover has resulted in lower rental commission and repairs and maintenance expenses, where the savings outweighed the increase in promotion expenses. Net Property Income increased by 10.5% to HK\$679.5 million from HK\$615.1 million in the previous year.

Total Rental Income of the mall for the second half was HK\$405.6 million, an increase of 5.5% compared with HK\$384.6 million in the first half. The passing base rents of HK\$174.54 per sq. ft. as at 31 December 2015 were 4.7% higher than HK\$166.65 per sq. ft. as at 30 June 2015. Net Property Income for the second half increased by 2.7% half-on-half to HK\$344.3 million (1H15: HK\$335.2 million).

Staying on top of the retail market trend has been one of the key success factors of Langham Place. To counter the challenges facing retailers and hence the landlord, we have intensified our promotion and marketing activities with key objectives of sustaining the mall's awareness, traffic and sales. In 2015, the Mall has brought in trendy characters for major marketing events highly popular with our target market. The Gudetama show in the summer and the LINE FRIENDS Christmas campaign in 2015 were both first time shows in a shopping mall in Hong Kong.

OUTLOOK

The performance of global equities markets and the continuing slowdown of the China economy and the depreciation of the Renminbi should point to a challenging outlook for the Hong Kong economy in the year ahead. However, expectations on the pace of interest rate hike in the U.S. have moderated since the fed fund rate increase in December 2015. Under the current macro outlook, we will continue to focus on enhancing the performance of the existing asset portfolio.

At Citibank Plaza, the recovery in its income has been well underway. We have in the past year rebuilt its occupancy to a much more comfortable level. In the process we

have also lengthened the maturities of many larger tenancies, both new and existing ones. With the much fortified occupancy profile, we are in a strong position to face potential economic rough waters ahead. Citibank Plaza should also benefit from the unprecedented low level of vacancy in the Central office market. Capital market volatility has not stopped Chinese companies as a whole from expanding their foothold in Hong Kong. The leasing strategy of Citibank Plaza will therefore focus on obtaining higher marginal rent rates in filling the limited amount of remaining vacant spaces and in renewing the leases that are coming due.

In 2016, the Langham Place Office Tower should continue to see a very high level of occupancy and moderately higher rent rates for lease renewal. So far we have not had much difficulty in renewing most of the leases expiring in 2016 or much resistance in raising rents. However, we are mindful of the economic headwinds and therefore are being modest with our asking rentals.

Within the Trust's portfolio, Langham Place Mall would be more vulnerable to market volatilities down the road. In the past several months, the decline in tourist arrivals has shown no signs of reprieve. At the same time, the

average spending of the latest batch of tourists has apparently gone down notably. Despite its outperformance in 2015, the Mall will not be fully immune to further slowdown in the retail market. The unseasonably warm winter has hurt the sales of apparel and footwear tenants as the year began. The most resilient segments in the Mall have been cosmetics and food and beverages. However, due to the strategic location of the Mall and the strong market reputation, its tenant retention rate has remained extremely high. In most of the rollovers, we have in fact been able to achieve some moderate increases in the base rents. Though it would be likely that the turnover rent as a whole will go down in 2016, as a combined effect of higher base rents and slower sales, there should be limited downside to the overall income of Property. The Trust plans to allocate more promotion expenses to draw footfall and to work closely with tenants to stimulate their sales.

The Trust has been evaluating various options to optimize the debt portfolio. The principal bankers have been supportive to the financing needs of the trust, and we have taken advantage of current liquidity in loan market to refinance all our existing bank loans to enjoy interest margin savings of HK\$46 million per annum. To further strengthen the options

in cost effective debt funding, we have obtained a first-time Baa1 issuer rating from Moody's which will help open up more opportunities in the debt capital market.

While the existing portfolio will provide the basis for organic income in the coming several years, we will continue to explore acquisition opportunities for long-term growth with a conservative and disciplined approach.

LEE Ching Ming, Adrian
Chief Executive Officer

Turnaround of Citibank Plaza

Citibank Plaza is undergoing a turnaround in various aspects, including occupancy, rent rates and image.

Rental income from the property had bottomed out in the second half of 2015, where rental income went up by 8.3% half-on-half to HK\$502.4 million.

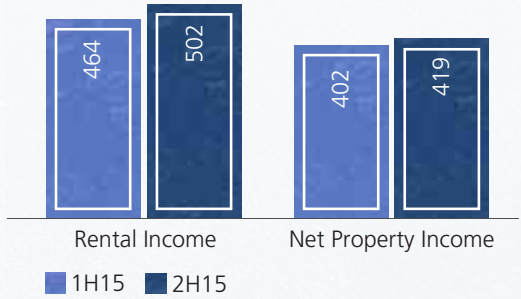
With occupancy level significantly improved in 2015, we have been raising the asking rents and the latest achieved rent rates have surpassed HK\$100 per lettable sq. ft.



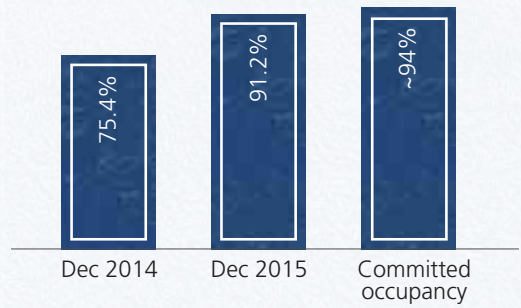
- 1 New bar opened in March 2016 at lower lobby
- 2 Enhanced tenant amenities: Pure Fitness
- 3 Upgraded carpark with improved ingress and egress logistics
- 4 Upper and lower ground renovation to be completed in first half 2016



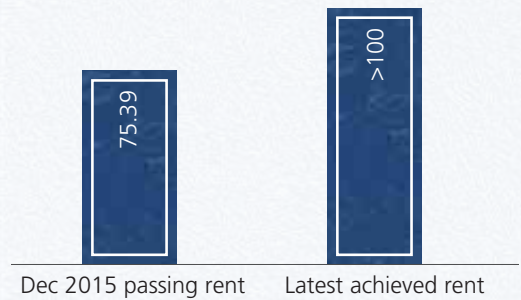
Rental Income and Net Property Income (HK\$million)



Occupancy



Rent Rates (HK\$ per lettable sq. ft.)



Board of Directors

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



Dr. LO Ka Shui

Chairman and Non-executive Director

aged 69, 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

Non-executive Director

aged 67, 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 the President 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

Non-executive Director

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 executive with over 30 years of experience in the United States, Asia and Hong Kong. He was a Real Estate Senior Credit Officer of Citibank since 1989, providing credit initial for approvals of real estate loans originated in Hong Kong and was also involved in financing the acquisition of various hotel assets internationally. 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 City University of Hong Kong, Lingnan University and University of Macau. He is also 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.

Board of Directors



Mr. LO Kai Shui

Non-executive Director

aged 56, 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

Executive Director and Chief Executive Officer

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-two 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 was a Non-executive Director of Cinderella Media Group Limited until 22 September 2015.

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



Mr. CHA Mou Sing, Payson

Independent Non-executive Director

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 Executive Chairman of Mingly Corporation. Mr. Cha is a member of One Country Two Systems Research Institute, a governing board member of China-United States Exchange Foundation, a board member of The Real Estate Developers Association of Hong Kong, the chairman of Qiu Shi Science & Technologies Foundation, a trustee of Sang Ma Trust Fund and an honorary trustee of Oregon State University Foundation. 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-five years of experience in property development and investment.



Mr. CHENG Wai Chee, Christopher

Independent Non-executive Director

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 a 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.

Board of Directors



Mr. SHEK Lai Him, Abraham

Independent Non-executive Director

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, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited and TUS International Limited (formerly 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 was an Independent Non-executive Director of Dorsett Hospitality International Limited, Hsin Chong Construction Group Limited and Titan Petrochemicals Group Limited.

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

Senior Management

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

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



Mr. LEE Ching Ming, Adrian Chief Executive Officer

Mr. Lee, aged 64, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. Additionally, he is responsible for the day-to-day operations. Mr. Lee is a Responsible Officer as defined under the Securities and Futures Ordinance.

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

Ms. WONG Ka Ki, Ada Deputy Chief Executive Officer and Chief Investment Officer

Ms. Wong, aged 35, joined the REIT Manager as Deputy Chief Executive Officer in March 2014. She is also a Responsible Officer and Chief Investment Officer of the REIT Manager. Ms. Wong is responsible for assisting the Chief Executive Officer to oversee day-to-day operations and set strategic direction for Champion REIT. She has acquired over 10 years of finance industry experience. Prior to joining the REIT Manager, Ms. Wong worked at Citigroup Global Markets Asia Limited's investment banking division to provide strategic advices to a number of Hong Kong corporates and real estate companies. She has also executed numbers of landmark IPOs, capital markets fund-raisings and strategic M&A transactions.

Ms. Wong graduated from University of Michigan (Ann Arbor) – Ross School of Business with a Bachelor of Business Administration degree.



Mr. KWONG Chi Kwong Chief Operating Officer

Mr. Kwong, aged 56, is responsible for formulating the business plans of Champion REIT's properties and supervising the property management team with a view to maximizing rental income via active asset management. Mr. Kwong has more than 20 years of experience in the industry and has held a variety of management and supervisory roles in areas of leasing and sales of properties, formulation and implementation of market plans, market research, site acquisitions, feasibility studies, liaison with government authorities and external professionals and administration.

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

Senior Management



Ms. LUK Ka Ping, Amy Investment and Investor Relations Director

Ms. Luk, aged 43, is responsible for identifying and evaluating potential investment opportunities, overseeing the capital structure and investor relations of Champion REIT. She has over 15 years of experience in the financial industry. Before joining the REIT Manager, Ms. Luk has been involved in equity research covering the Hong Kong real estate sector for over 10 years at various international financial institutions, making recommendations on equity investments.

Ms. Luk holds a Master of Business Administration from the University of Rochester and a Bachelor of Business Administration from the Hong Kong University of Science and Technology. She is a Chartered Financial Analyst.

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

Ms. Sung, aged 41, is primarily responsible for the financial reporting and general office administration of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. With more than 15 years of accounting and audit experience, Ms. Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

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



Mr. David LAW Compliance Manager

Mr. Law, aged 47, is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Prior to joining the REIT Manager, Mr. Law worked in various legal firms, an estate developer and an international insurance company, performing paralegal services and compliance duties.

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

Mr. YUEN Chi Hang, Tony Internal Audit Manager

Mr. Yuen, aged 41, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures internal control systems function properly and provides regular reports to the audit committee of the board of directors. Prior to joining the REIT Manager, Mr. Yuen worked as an internal auditor at a well-recognized listed property company and has over 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

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



Management Philosophy

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

ASSET MANAGEMENT STRATEGY

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

- Maximize Rental Income**
by optimizing rental income from each tenancy and where possible augmenting rental income through additional floor area, asset enhancements or turnover rent.
- High Occupancy Levels**
by maintaining high quality service and technical standards, and by capitalizing on the requirements of targeted tenant niches and actively managing tenancy expiries.
- High Tenancy Renewal Rates**
through proactively tenant relationship management and anticipation of future tenant needs. This will minimize rental losses due to downtime and lower expenses and agency fees incurred for new tenancies.
- A Quality Tenant Base**
built upon high covenant multi-national office occupiers and well recognized retail tenants, to maintain a premium image for our properties and to minimize default rates.

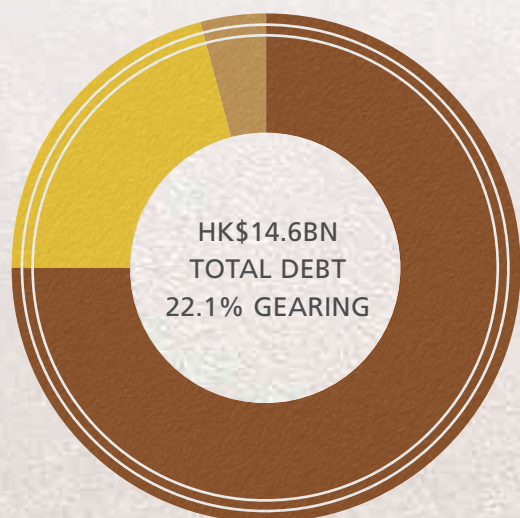
ACQUISITION STRATEGY

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

- Yield Accretion**
Properties to be acquired should have strong existing or potentially higher rental income.
- Potential for Net Asset Growth**
Macro economic factors and the potential for future changes in asset value will be assessed.
- Tenant Characteristics**
Rent and occupancy trends will be assessed with emphasis on good tenant retention/default rates.
- Location and Accessibility**
Properties for convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.
- Value-adding Opportunities**
through renovation; other enhancements and proactive property management will also be assessed.
- Building Specifications**
should be best of class; Other aspects such as building condition, compliance with regulations will also be examined.

Financial Review

As at 31 December 2015, the effective interest cost of the Trust's debt portfolio was 2.0% and the average outstanding life was 3.25 years.



- 75% HK\$10,950mm Bank Loan HIBOR+1.20%-1.48%
- 21% HK\$2,998mm Medium Term Note 3.75% Coupon
- 4% HK\$643mm Medium Term Note 3-month HIBOR+1.275%

DISTRIBUTIONS

The Total Distribution Amount of Champion REIT for the Year was HK\$1,145.9 million (2014: HK\$1,170.7 million). This Total Distribution Amount was based on 90% (2014: 90%) of Champion REIT's Distributable Income, but because of the compulsory inclusion of retained distributions from the first half of each year into the distributable income of the second half of each year as required under the Trust Deed, the effective payout ratio for 2015 was 94.5% (2014: 94.8%).

The Distribution per Unit for the six months ended 31 December 2015 ("Final Distribution per Unit") was HK\$0.1031. This Final Distribution per Unit is subject to adjustment upon the issuance of new Units between 1 January 2016 and the record date. A further announcement will be made to Unitholders informing them of any adjustment to the Final Distribution per Unit.

With an interim Distribution per Unit of HK\$0.0954 and a Final Distribution per Unit of HK\$0.1031, the Total Distribution per Unit for the Year amounted to HK\$0.1985 (2014: HK\$0.2035). Based on the closing Unit price of HK\$3.88 as at 31 December 2015, the Total Distribution per Unit is equivalent to a distribution yield of 5.1%.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 17 May 2016 to Wednesday, 25 May 2016 ("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 31 December

2015 ("2015 Final Distribution") will be made on 26 May 2016 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2015 Final Distribution and be entitled to attend and vote at the 2016 Annual General Meeting to be held on 25 May 2016, all properly completed

transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 May 2016.

Committed Debt Facilities⁽¹⁾

As at 31 December 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	3,641.2	–	3,641.2	2,998.2 ⁽²⁾	643.0
Total	14,891.2	300.0	14,591.2	2,998.2	11,593.0
Percentage	100.0%	2.0%	98.0%	20.5%	79.5%

(1) All amounts are stated at face value

(2) After accounting for cross currency swaps

DEBT PROFILE

On 26 March 2015, the Trust issued HK\$643.0 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 is due in July 2018.

During the year, an aggregate amount of US\$13.6 million of the US\$400.0 million 10-year unsecured

notes issued in January 2013 was repurchased at an average price of 96.454, resulting in a gain of HK\$2.7 million. After the repurchase, the outstanding principal amount of the notes was marked down to US\$386.4 million (31 December 2014: US\$400.0 million). The currency exposure for both the final principal and interest payments was fully hedged by cross currency swaps at an average rate of HK\$7.7593 to US\$1.00.

Total outstanding borrowings of the Trust as at 31 December 2015 was HK\$14,591.2 million, decreased HK\$112.5 million from HK\$14,703.7 million a year ago. As at 31 December 2015, the effective interest cost of the Trust's debt portfolio was 2.0% (31 December 2014: 2.02%) and the average outstanding life was 3.25 years (31 December 2014: 4.12 years).

Outstanding Debt Maturity Profile ⁽¹⁾

As at 31 December 2015

	HK\$ million	% of total
Due in year 2016	2,200.0	15.1
Due in year 2017	3,700.0	25.4
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	2,998.2 ⁽²⁾	20.5
Total	14,591.2	100.0

(1) All amounts are stated at face value

(2) After accounting for cross currency swaps

Financial Review

Taking advantage of the abundant liquidity in the banking market, it is our intention to refinance the Trust's outstanding bank loans for lower interest rates and extension of average debt maturity. Arrangements with banks are now in progress with completion to be taken place in June 2016.

The Trust's investment properties at 31 December 2015 were appraised at a total value of HK\$64,783.0 million, representing a 3.8% increase from HK\$62,438.0 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 22.1% as at 31 December 2015. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 26.5% (31 December 2014: 27.3%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$48,468.1 million as at 31 December 2015, an increase of 4.7% compared

to HK\$46,275.1 million as at 31 December 2014.

The Net Asset Value per Unit as at 31 December 2015 was HK\$8.40 (31 December 2014: HK\$8.06). It represented a 116.5% premium to the closing unit price of HK\$3.88 as at 31 December 2015.

CASH POSITION

As at 31 December 2015, the Trust had total undrawn bank loan facilities of HK\$300.0 million (31 December 2014: HK\$300.0 million) and a cash balance of HK\$692.9 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 31 December 2015, the total carrying amount of unsecured bonds was HK\$223.2 million with fixed interest rates ranging from 3.75%

to 5.875% per annum and maturity dates ranging from February 2021 to May 2024. It is our intention to hold these investments till maturity.

PLEDGE ASSETS

As at 31 December 2015, properties of Champion REIT with a fair value of HK\$44,519.0 million (31 December 2014: HK\$42,746.0 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 31 December 2015, the Trust has authorised capital expenditure for improvement works of investment properties which is contracted for but not provided in the consolidated financial statements amounting to HK\$49.9 million (31 December 2014: HK\$44.0 million).

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

Environmental and Social Review

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

WORKPLACE QUALITY

Health and Safety

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

with regular training and drills. We have appointed Registered Safety officers to oversee and enhance the Safety Management System in both Langham Place and Citibank Plaza. Langham Place Office Tower has received the Silver Award for 2015 Theme Award – Occupational Safety and Health by The Hong Kong Institute of Facility Management (HKIFM).

Tenants of grade 'A' properties in particular have high expectations for indoor air quality and circulation. In this respect our properties are classified as 'Excellent' under the Hong Kong Environmental Protection Department's Indoor Air Quality Certification Scheme for common areas. They are also

recipients of the Certificates of Quality Water Supply Scheme for Buildings – Fresh and Flushing Water issued by the Hong Kong Water Supplies Department.

Working Conditions

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

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

During 2015, the REIT Manager has established internship programme providing short-term job opportunities for university students. The wide range of tasks provides the opportunities for students to apply their study into practice and to gain experience in the real estate industry.



Received the Silver Award for 2015 Theme Award – Occupational Safety and Health by The Hong Kong Institute of Facility Management

Environmental and Social Review



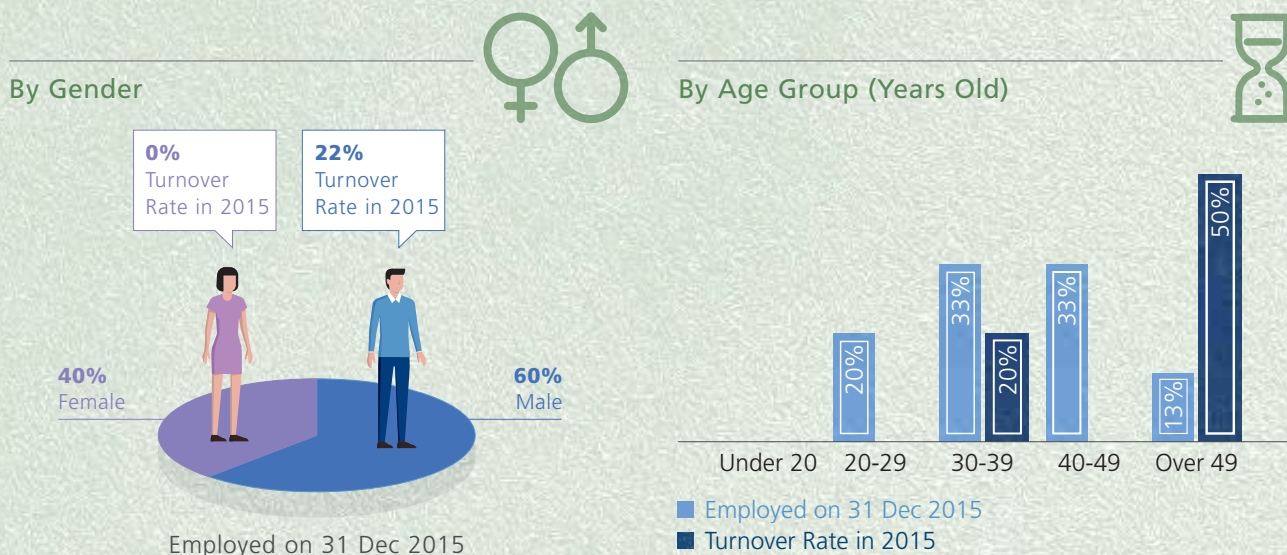
2015 Internship Programme



Breakdown of Employees and Turnover Rate by Age Group and Gender

	by Age Group (years old)					by Gender	
	Under 20	20 – 29	30 – 39	40 – 49	over 49	Male	Female
Employed on 31 Dec 2015	0%	20%	33%	33%	13%	60%	40%
Turnover Rate in 2015	0%	0%	20%	0%	50%	22%	0%

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



Development and Training

We believe the availability of training and development opportunities is an important factor for attracting and retaining quality staff. Besides offering a competitive compensation and benefits package, we provide corporate and vocational trainings to staff at all levels such as “The 7 Habits of Highly Effective People”. Our comprehensive performance appraisal system provides a regular dialogue mechanism whereby staff can provide feedback to their superiors, establish key objectives for each year and determine their training and development needs. For the reporting year, 100% of eligible employees (those who are employed before 1st August of the year) received performance and career development reviews.

Labour Standards

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



or manufacturing operations, there are no potential issues involving child or forced labour.

ENVIRONMENTAL PROTECTION

Use of Resources

Energy efficiency is an important means of reducing emissions and conserving the world's limited resources. Pursuing energy efficiency also has the parallel benefit of reducing operating expenses, even while global warming is ameliorated. An energy saving feature inherent to both of Champion REIT's properties is the use of large multi-storey glass

curtain walls to provide atrium and lobby areas with natural lighting. At Langham Place, this feature is particularly noticeable and anyone can look through the 9-storey mall atrium and see the neighbourhood buildings on the other side. Reflective coatings along the primary glass walls provide additional energy savings by reflecting heat while allowing light to enter the interior.

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

Environmental and Social Review

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

At Langham Place Mall, Metal Halide Flood Light Luminaries have been retrofitted to LED luminaries at the Digital Sky of the Grand Atrium where LED could maintain a longer lifetime with less energy consumption of the lighting system. LED luminaries fitted with motion sensors have been installed at staircases, corridors and lavatories of the mall. To reduce water usage, we have installed low flow water faucets in all our properties and are reusing water collected in an underground tank for irrigation at Citibank Plaza. To support the introduction of electric vehicles to Hong Kong, Electric Vehicle Recharging Stations have been added to both of our car parks.

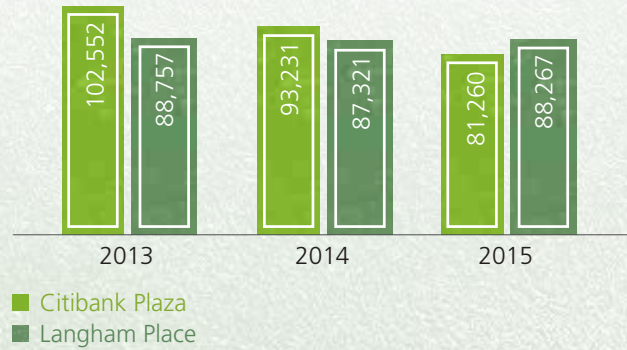
In 2015 the combined energy consumption at our properties decreased by 6.1% to 169,528 gigaJoules mainly due to the replacement of air-cooled chiller plants with water-cooled chiller plants at Citibank Plaza which are more energy-efficient. The entire chiller replacement project was completed in February 2015. In 2014, some inefficient chillers were still in use. The lower average occupancy of Citibank Plaza in 2015 after large space occupiers moving out in 2014 also contributed to the fall in energy consumption. Combined water usage decreased by 14.4% to 331,290 cubic meters. The commissioning work for Phase 2 of the chiller replacement project at Citibank Plaza has involved repeated flushing, draining and filling of water in 2014. The commissioning activities were significantly reduced in 2015 with the completion of replacement, driving down the water consumption.

Emissions

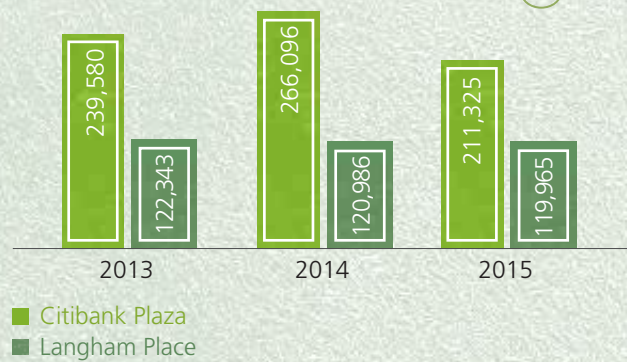
As Champion REIT is a pure landlord and has no manufacturing operations, there are no hazardous byproducts produced or discharged. The only relevant



Energy Consumption (gigajoule)



Water Usage (cubic meter)



Carbon Emissions (ton CO₂ equivalent)



emissions would be those generated through the day-to-day operations at our properties. Our statistics as disclosed to the carbon footprint repository in Hong Kong include direct emissions as well as indirect emissions such as those resulting from electricity generated offsite. In 2015 the estimated combined carbon emissions of our properties decreased by 8.3% to 33,599 tons of carbon dioxide.

The Environment and Natural Resources

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

Paper is by far the largest category of materials sent for recycling, with 311 tons collected in 2015. Besides typical waste products such as paper and plastic bottles, food waste from our food court tenants are also collected and sent for reprocessing.

To reduce paper usage, internally we promote the usage of electronic copies over hard copies of documents. Externally, Champion REIT allows its Unitholders to choose if they wish to be mailed a physical copy of the Trust's Interim Report and Annual Reports each year. PDF versions of the Trust's financial reports have been available at www.championreit.com since Champion REIT was listed in 2006.

The Environmental Protection Department of the Hong Kong Government issued certificates to Citibank Plaza and Langham Place certifying the effectiveness of their Programs on Source Separation of Commercial and Industrial Waste. Citibank Plaza was awarded "Class of Good" and "One of the Top Three Organizations" at the

Energywise Certificate Scheme – Hong Kong Award for Environmental Excellence by the Environmental Campaign Committee. Langham Place was awarded Green Management Award (Corporation) – Service Provider – Gold by the Hong Kong Green Council in 2015.

OPERATING PRACTICES

Product Responsibility

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

Other than implementing the quality management system, other measures at Langham Place have been put in place to further enhance the customer services. The "Care the People in Need System" provides attentive service to our customers in need. For example, caring name cards with Braille hotline number are provided to shoppers for instant

Materials Collected for Recycling

	2013	2014	2015
Waste Paper (kg)	220,235	306,150	310,559
Fluorescent Tubes (kg)	1,228	924	981
Plastic Bottles (kg)	1,061	1,048	968
Aluminum Cans (kg)	93	121	123
Reusable Batteries	488	325	301

Environmental and Social Review

support. The installation of “Parking Guidance System” enables drivers to easily find the most convenient vacant parking space through intelligent guidance display. The “Lost and Found System” provides related trainings on handling shoppers’ lost and found items efficiently. In 2015, 80 compliments were received from shoppers praising the integrity, professional and efficient handling of lost and found items.

Champion REIT was awarded Hong Kong Outstanding Enterprises 2015 by Economic Digest. Langham Place Office Tower earned an Excellence in Facility Management Award 2015 (Office Building) from the Hong Kong Institute of Facility Management. In addition Langham Place also received an Enterprise Award at the Hong Kong Star Brands Awards in acknowledgment of the widespread recognition of the Langham Place brand and its association with quality.

Anti-Corruption

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

Supply Chain Management

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

COMMUNITY INVOLVEMENT

Community Investment

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

As a patron of the Arts, Champion REIT sponsors the *Musica del Cuore* (an Italian term for “Music of the Heart”) concert series on every Friday evening during which the ground floor lobby of Citibank Plaza would transform into a “community concert stage”, presenting some of the finest Classical repertoires to the audience. In 2015, the concert series had provided a platform for local talents, well-established artists and chamber groups to showcase



Champion REIT was awarded Hong Kong Outstanding Enterprises 2015



Musica del Cuore

their artistry while visiting guests from other parts of the world inspired music lovers through cultural exchange. Please visit www.musicadelcuore.com.hk for further information.

In the area of Environment, Champion REIT sponsored event space in Citibank Plaza and Langham Place for the "Share A Bag" program under the "Less Waste, Let's Do It Project" organized by World Green Organisation to arouse public awareness and participation in recycling. Both properties also joined force to support the WWF (World Wide Fund) "Earth Hour 2015", a global event to fight against climate change by switching off all non-essential lights for one hour.

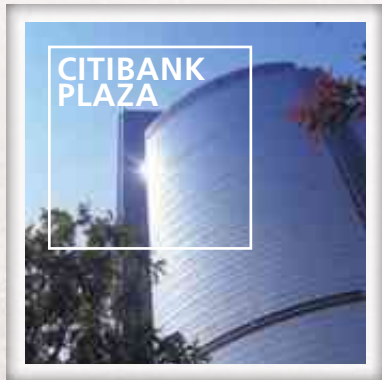
In the area of Children, Langham Place served as venue for "Bodhi & Friends Exhibition" organized by Bodhi Love Foundation to encourage the public to support holistic health and educational needs of underprivileged children.

Throughout the year, Langham Place had sponsored free airtime of its giant LED TV at Grand Atrium for broadcast of promotion videos of charitable organizations including Hong Kong Red Cross, World Vision, Tung Wah Group of Hospitals, Ronald McDonald House Charities and many more.

In addition to the core themes, Champion REIT also participated in other civic activities such as blood donation drives.

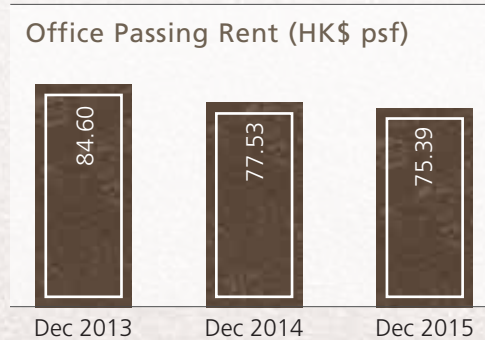
Portions of both properties are also dedicated to public usage. In service to the community, Citibank Plaza provides more than 60,000 sq. ft. of floor space as a public thoroughfare. It also maintains two pedestrian bridges abutting the public thoroughfare, providing sheltered elevated access between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

Property Portfolio At-a-glance



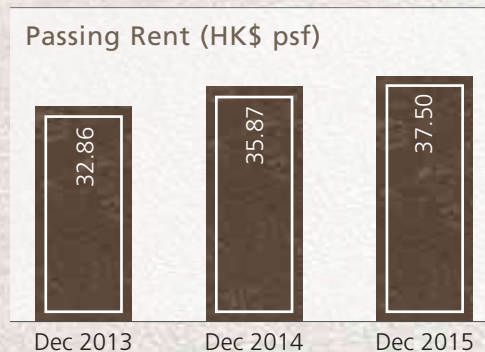
CITIBANK PLAZA

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



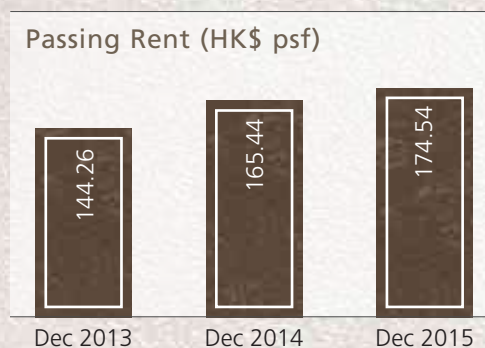
LANGHAM PLACE OFFICE TOWER

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

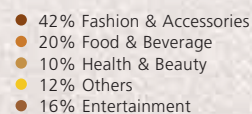
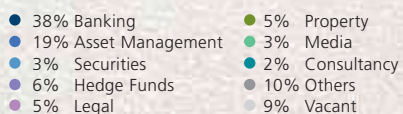
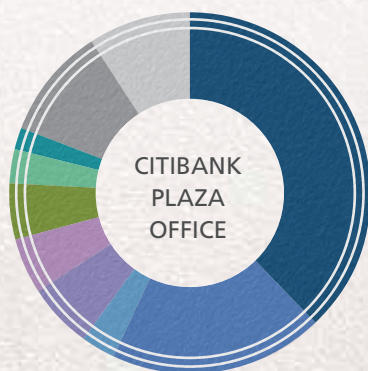


LANGHAM PLACE MALL

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



TENANT PROFILE AS OF 31 DEC 2015

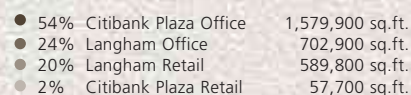
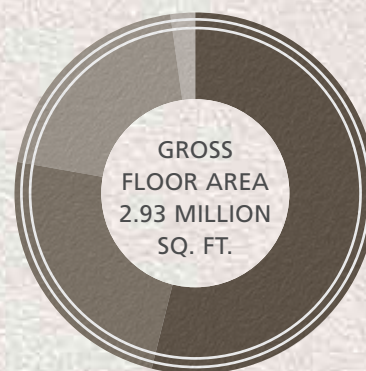


MAJOR TENANTS OF CHAMPION REIT (IN ALPHABETICAL ORDER)

- BEAUTY AVENUE
- INDUSTRIAL AND COMMERCIAL BANK OF CHINA
- BLACKROCK
- INVESCO
- CINEMA CITY
- NEO DERM
- CITIBANK
- PURE YOGA
- HENNIS AND MAURITZ
- SEARS

VALUE AS OF 31 DEC 2015

	Citibank Plaza HK\$ mil	Langham Place HK\$ mil	Sub-total HK\$ mil
Office	36,142	8,402	44,544
Retail	564	18,250	18,814
Car Park	471	330	801
Miscellaneous	410	214	624
Total	37,587	27,196	64,783



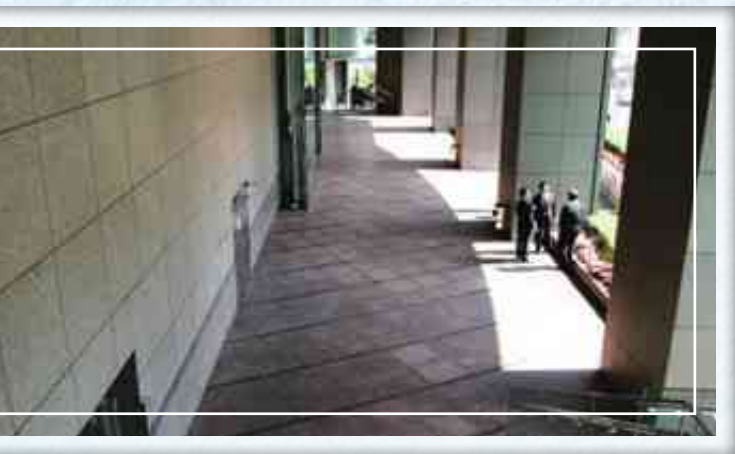
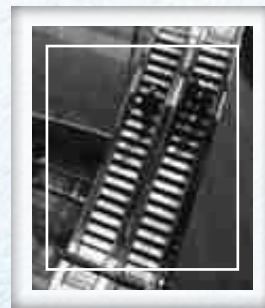
For additional details, please refer to the valuation report section

Citibank Plaza



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

The complex contains many distinct architectural features, such as the flexibility to join 26 floors of both towers to provide an enlarged floor plate of up to 34,000 sq. ft. This is the largest available floor plate in Central.



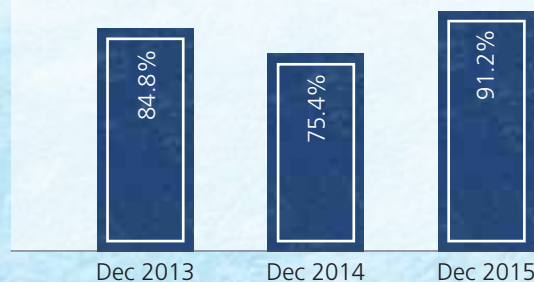
PRIME ASSET

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

ARCHITECTURAL EXCELLENCE

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

Occupancy Rate



Citibank Plaza

PREMIUM GRADE 'A' SPECIFICATIONS

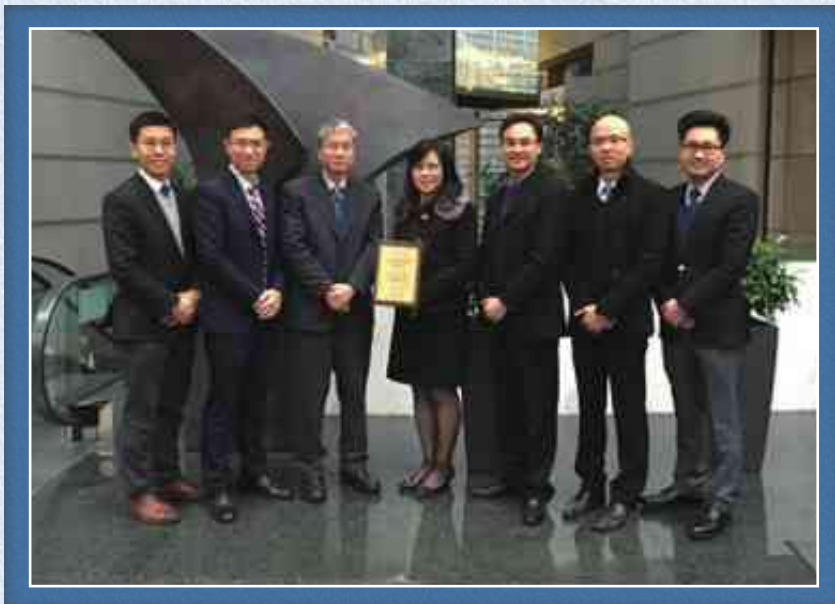
Citibank Plaza is the archetypal modern premium grade 'A' office complex, replete with fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate cabling and flexibility in office configurations, a central computerized control center and a master satellite signal distribution system. Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions. These include security lift facilities for treasury items, high redundant power supply to floor space ratios, timely emergency power supply and more importantly emergency chilled water facilities to data centres during power outages. It also operates an intelligent heat detection system which can prevent the unintentional activation of sprinklers.

AMENITIES AND SERVICES

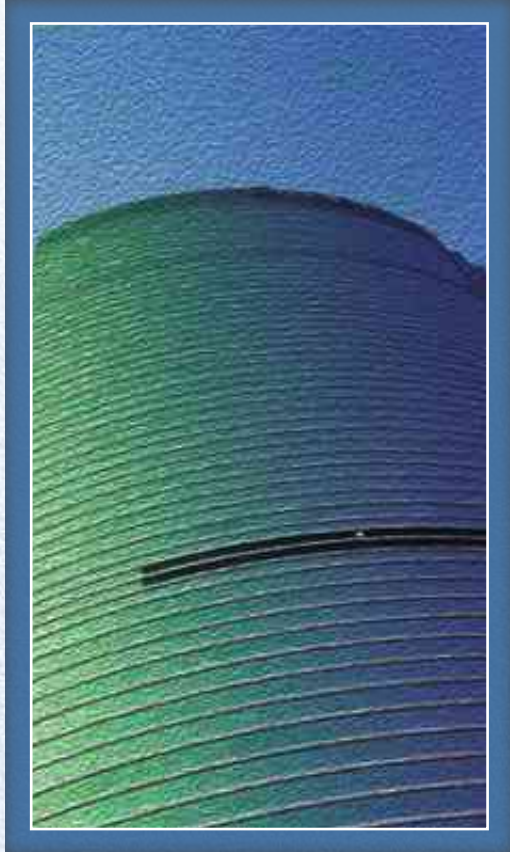
In addition to its prime location and premium specifications, the 'tenant experience' also plays an important role in attracting quality tenants to the property. Citibank Plaza places great emphasis on the quality of facility management and level of customer service. The relaxation and cardiovascular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

ASSET ENHANCEMENT

Since the property was injected into the Trust, the upper lobby of the podium has been retrofitted with a security card access system, electronic directories and a new information counter. The lower lobby has also been refurbished into a trendy lounge area. To cater to the growing need for ever higher requirements for emergency power and back-up chilled water supply for server rooms and trading areas, Citibank Plaza's emergency power capacity and back-up chilled water capacity have also been upgraded. New energy efficient chiller plants and variable air volume ventilation units have also been installed recently. The major renovation of the basement car park has been completed. Major refurbishment of the main lobby areas is at an advanced stage to reinforce the image of Citibank Plaza as a premium office complex in Central.



Awarded as one of the Top Three "Biggest Energy Saving Organization of Energywise" by the Environmental Campaign Committee (ECC)



building statistics

- HK\$37.6 billion Assessed Value
- Built in 1992
- 205m Tall, Highest Floor is 50
- 558 Vehicle Basement Garage
- 123 Tenants
- 1,638,000 sq. ft. Gross Floor Area
- 1,225,000 sq. ft. Lettable Office Area
- 43,000 sq. ft. Lettable Retail Area
- 34,000 sq. ft. Gross Floorplate

features & amenities

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

Citibank Plaza Leasing and Property Management Team



Ms. Yvonne LAU General Manager, Leasing

As General Manager, Ms. Lau is responsible for formulating and implementing Citibank Plaza’s leasing strategies and business plans. In her previous job, she was the director in charge of office asset management at a private real estate fund listed in Singapore. Ms Lau has more than 20 years of experience in the field of property and had worked for various first tier property developers in Hong Kong. Ms Lau holds a Master of Science degree in Real Estate from the University of Hong Kong; a Postgraduate Diploma in Arbitration and Mediation from the HKU Space and a Professional Diploma in Real Estate Administration (with Distinction) from the University of Hong Kong School of Professional and Continuing Education.

Ms. Yolanda WONG General Manager, Building Management

Ms. Wong has over 20 years’ experience in hospitality and property management industry overseas and in Hong Kong. Prior to joining the Company, she held senior management positions of a boutique hotel group and a property management company under a listed property development group in Hong Kong. She has experience in managing residential & Grade A commercial properties, shopping malls, boutique hotels, and serviced apartments. Ms Wong has also experience in renovation projects, pre-management, sales & leasing, event management and quality management. Ms. Wong holds a Master of Art degree in Business Administration from the University of Hull, U.K. and a Master of Science degree in hospitality management from the Sheffield Hallam University, U.K. She is also a member of the Hotel & Catering International Management Association and the American Society for Quality.



Mr. Marco HO Chief Estate Manager

Mr. Ho has over 15 years’ experience in real estate and property management industry. He has worked for several of the major Hong Kong developers in the past, in roles related to the management of various residential properties, shopping malls and Grade A commercial complexes. Mr. Ho has also experience in renovation projects, pre-management, crowd control and the management of large-scale promotion events. Mr. Ho holds a Bachelor of Arts degree in Housing Studies and a Bachelor of Business Administration in Finance. He is certified under the Housing Managers Registration Board and a member of the HK Institute of Housing.



Mr. Alan MOK Senior Manager, Estate

Mr. Mok has over 10 years' experience in real estate and property management industry. He has worked for various well established property developers in Hong Kong and has been involved in management of various shopping malls and Grade A commercial buildings. Mr. Mok holds a Bachelor degree in Estate Management from the University of Reading and a Master Degree in Housing Management from the University of Hong Kong. He is a member of the Hong Kong Institute of Housing and a member of International Facility Management Association, Hong Kong Chapter.

Mr. Y H KWOK Head of Technical Services

Mr. Kwok has over 25 years' experience in repair and maintenance. He has worked for several major Hong Kong engineering companies in the past, in roles related to the management of various residential properties, shopping malls and Grade A commercial complexes. Mr. Kwok has also experience in renovation projects, system upgrade and major retrofits. Mr. Kwok holds a bachelor degree in engineering from the University of Hong Kong. He is a Corporate member of the HK Institution of Engineers and a Registered Professional Engineer.

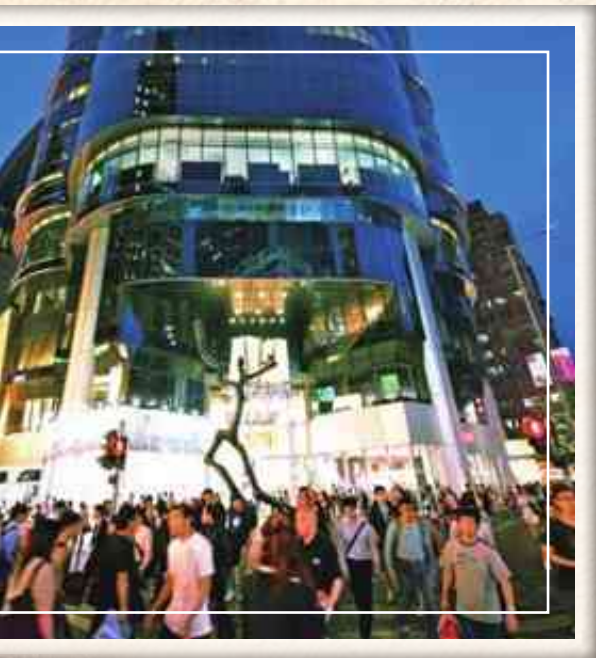


Langham Place



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

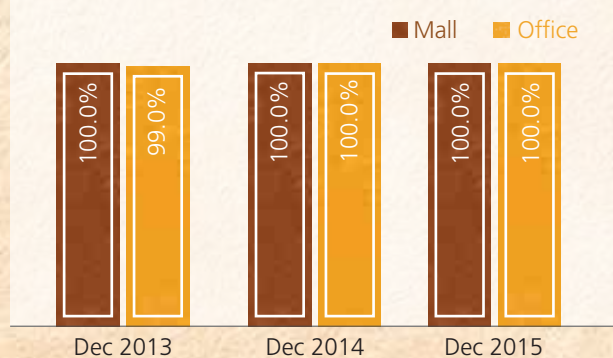
Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion trends.



PREMIUM ASSET, PRIME LOCATION

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

Occupancy Rate



Langham Place

FASHION MALL REDEFINING MONGKOK

The Langham Place Mall has several unique modern architectural and design features. From the surrounding shopping district, its distinctive multi-faceted façade of Fissured Brazilian Granite is immediately recognizable. Among its internal features are a Grand Atrium enclosed by 9-storey tall glass curtains showcasing the surrounding street-level activity, some of the world's longest indoor escalators and a 'Digital Sky' projected onto the mall's ceiling. In upper section of the Mall, there is the iconic Spiral section leading up to an indoor alfresco Bar and Restaurant floor. For its innovative design, the Langham Place Mall has received several awards from parties such as the International Council of Shopping Centers and the Institution of Structural Engineers Awards.

Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion trends. Each day, 200,000 to 300,000 shoppers visit the mall to look for the latest in hip and trendy apparel, accessories and footwear. As part of the Langham shopping experience, the mall also offers its shoppers a cineplex, a games arcade and 40 food and beverage outlets. Because of its immense popularity among

teens and young adults, Langham Place Mall has been the venue of choice for fan and media events by local and foreign celebrities alike. The mall is also popular with tourists from the mainland as it is well known for its wide selection of cosmetics.

MONGKOK'S PREFERRED OFFICE ADDRESS

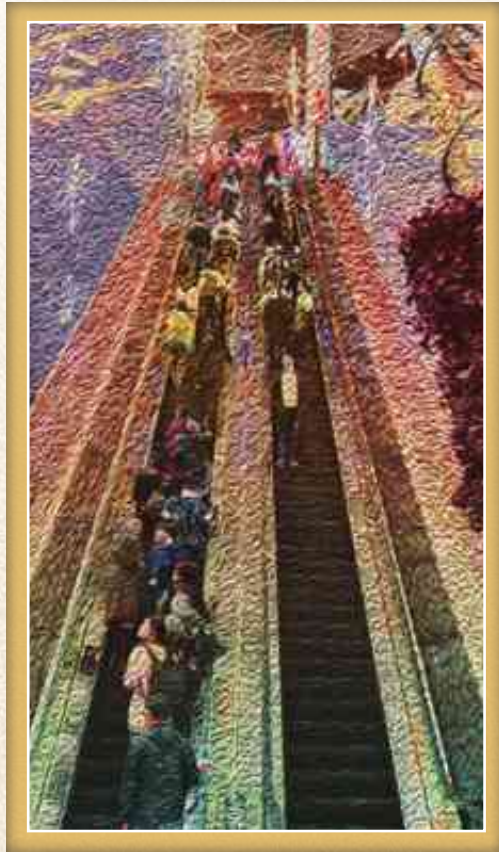
The Langham Place Office Tower is a modern 59-storey Grade 'A' building that is the preferred corporate address in Mongkok. It is covered in distinctive reflective blue glass and topped off with a large colour-changing dome visible from as far as Hong Kong Island at night. As the building is conveniently located, it attracts tenants from merchandising, lifestyle and beauty sectors. The office tower is also home to many semi-retail and

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

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



Awarded as the Winner of Property/Facility Management Team of the Year, RICS Awards, Hong Kong



building statistics

- HK\$27.2 billion Assessed Value*
- Built in 2004
- 255m Tall, Highest Floor is 60
- 255 Vehicle Basement Garage
- 47 Office Tenants*
- 164 Retail Tenants
- 1,293,000 sq. ft. Gross Floor Area*
- 703,000 sq. ft. Gross Office Area*
- 17,400 sq. ft. Gross Office Floorplate
- 319,000 sq. ft. Lettable Retail Area

* only Champion REIT's portion

features & amenities

- 15-storey Shopping Mall
- Adjoining 5-star Hotel
- 1,100 Seat Cineplex
- 40 F&B Outlets
- Direct MTR Access
- 9-Storey Glass Atrium
- Panoramic View of Kowloon
- Electric Vehicle Charging Stations
- Internal Loading Dock
- HKIAQ Certification
- OHSAS 18001 Certification
- ISO 14001 Certification
- 70,000 sq. ft. Fitness Centre
- World's Largest Yoga Studio

Langham Place

what's been happening at the mall

1 In summer, the mall collaborated with Gudetama ("lazy egg" in Japanese), one of the hottest Sanrio characters to produce the first ever exhibition of its 3D replicas in Hong Kong along with the character's first pop-up store on Level 7.



2 A mega scale Christmas decoration showcasing the complete line-up of LINE FRIENDS and colourful oversized stationeries and objects on the desk of Santa Claus was on display from November till early January.



3 In November, MARKS & SPENCER FOOD opened its largest food store in Asia at Langham Place. It is also the first store in Asia to introduce the concept of "Hot Food To Go".



4 Taiwanese teen idol Pets Tseng and pop group SpeXial greeted fans at Level 4 Atrium.



4



7



5

5 K-pop style icon DJ Soda and a number of fashion and beauty bloggers were invited to the "LANEIGE RUNWAY", a beauty and fashion show featuring the latest K-beauty trend and street chic styled by renowned local stylist Faye Tsui from the autumn/winter collection of fashion and accessories brands across Level 8 to 12.



6

6 Korean girl group Pruffles and Tahiti performed at L12 LIVE Stage as part of the K-POP SUMMER GIG campaign brought to shoppers by JOOX, a new music app developed by Tencent.

7 At the officiating ceremony of the 30th anniversary of BIOTHERM HOMME, famous Taiwanese actor Eddie Peng called upon the members of the public to support ocean conservation.

Langham Place Leasing and Property Management Team



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

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

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

Mr. David CHIU General Manager, Property Management

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

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



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

Ms. Chan is responsible for the leasing and tenancy management of Langham Place and has over 20 years of experience in the property leasing field. Prior to her present job, she worked for various property developers in Hong Kong.

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



Ms. AU-YEUNG Hon Yuk, Makey Deputy General Manager, Marketing

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

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

Mr. CHAN Chor Kiu, Desmond Chief Estate Manager

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

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



Mr. Timothy CHU Chief Technical Manager

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

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

Valuation Report



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www.knightfrank.com

1 February 2016

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

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

Dear Sirs

Citibank Plaza, 3 Garden Road, Central, Hong Kong (the "Property")

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2015 (referred to as the "Valuation Date") for reporting purposes.

Basis of Valuation

In arriving at our opinion of market value, we followed The HKIS Valuation Standards (2012 Edition) issued by The Hong Kong Institute of Surveyors (HKIS). Under the said standards, Market Value is defined as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

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

The market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation complies with the requirements set out in The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts published by The Securities and Futures Commission and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the Property subject to its existing tenancies. In undertaking our valuation of the Property, Income Capitalization and Direct Comparison approaches are adopted. Income Capitalization approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the Property's type of use, building age and condition. In the course of our valuation, we have assumed that no significant capital expenditure by the owner of the Property will be required in the foreseeable future. Apart from Income Capitalization approach, Direct Comparison approach is adopted for cross-referencing purpose.

Income capitalization

The existing net rental income, i.e. rent exclusive of rates, management fees, air-conditioning charges and other tenants' outgoings, of all lettable space of a property, is capitalized in respect of the unexpired term of each contractual tenancy. Upon reversion, i.e. the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the Valuation Date which is in turn capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of a property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred. The capitalization rate adopted is made by reference to the yield achieved in analysed market sales of retail space/office spaces and our knowledge of the market. This expected rate of return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like. Our adopted capitalization rate for the retail and office accommodation is 4.25% and 3.6% respectively.

Direct comparison

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

Valuation Report

As there were limited en-bloc/bulk transactions for comparison in our valuation, we have also made reference to transactions of strata-titled properties in the vicinity. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Capitalization Approach.

Valuation Assumptions and Considerations

Our valuation is subject to the following assumptions and considerations.

We have taken reasonable care to investigate the title of the Property by obtaining the sample land search records from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

We have relied to a very considerable extent on information given by the Manager and have accepted advice given to us on such matters as, if any, planning approvals or statutory notices, easements, tenure, occupancy, incomes, carpark numbers, floor areas and all other relevant matters. We have not verified the information provided to us and have assumed that they are correct. We do not undertake to certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. We were also advised by you that no material facts have been omitted from the information provided. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

As instructed, we have relied upon carpark numbers as advised by the instructing party. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.

We have assumed that the Property valued had been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

We inspected the exterior and where available, portion of the interior of the Property on 8 January 2016. The inspection of the Property was undertaken by Mr Kenneth Lok, Manager of the General Valuation Department. Nevertheless, we have assumed in our valuation that the Property was in satisfactory exterior and interior decorative order without any unauthorized extensions or structural alterations as at the Valuation Date.

In valuing the Property, we have made reference to the relevant transactions and market conditions as at the Valuation Date. The value of the Property may be affected in a volatile market conditions. Unless otherwise stated, we assumed that the Property is free from encumbrances, restrictions, incidents and outgoings of any onerous nature which could affect its value.

Limiting Conditions

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Thomas H M Lam

FRICS MHKIS MHKSI RPS(GP)

Senior Director, Head of Valuation & Consultancy

Note: Thomas H M Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific region (ex-Japan).

Valuation Report

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015	Estimated Net Property Yield																				
<p>Citibank Plaza, 3 Garden Road, Central, Hong Kong (See Note 1)</p> <p>1,449,936/1,650,000th undivided parts or shares of and in Inland Lot No 8888.</p>	<p>Citibank Plaza is an office/commercial/ carparking development situated in Central district. It comprises one 47-storey office block, known as Citibank Tower, and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.</p> <p>The Property comprises the whole of the retail accommodation and the whole office units of the development. The total floor area and the gross rentable area of the retail and office portions of the Property are approximately as follows:</p>	<p>Except Shop No. 5 with an area of approximately 382 sq ft which was together let under a single tenancy with office units Portion A of 40/F and 43/F to 50/F of Citibank Tower, the retail portion of the Property was let under six tenancies for various terms with the latest expiry date in October 2025, yielding a total monthly rental income of approximately HK\$2.69 million exclusive of rates, management and air-conditioning charges. The retail tenancies, except the said Shop No. 5, were subject to turnover rents. The average monthly turnover rent receivable during the period from November 2014 to October 2015 was approximately HK\$51,200.</p> <p>The office portion of the Property (including Shop No. 5) was let under various tenancies for various terms with the latest expiry date in October 2021, yielding a total monthly rental income of approximately HK\$88.10 million exclusive of rates, management and airconditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.</p> <p>The occupancy rates of the retail and office portions were approximately 100% and 91.2% respectively.</p>	<p>HK\$37,587,000,000</p> <p>(Hong Kong Dollars Thirty Seven Billion Five Hundred and Eighty Seven Million)</p>	<p>3.0%</p>																				
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;">Total Floor Area</th> </tr> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">sq m</th> <th style="text-align: right;">sq ft</th> <th></th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td style="text-align: right;">5,362.41</td> <td style="text-align: right;">57,721</td> <td></td> </tr> <tr> <td>Office</td> <td style="text-align: right;">146,773.78</td> <td style="text-align: right;">1,579,873</td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">152,136.19</td> <td style="text-align: right;">1,637,594</td> <td></td> </tr> </tbody> </table>					Total Floor Area				Use	sq m	sq ft		Retail	5,362.41	57,721		Office	146,773.78	1,579,873		Total	152,136.19	1,637,594	
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Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015	Estimated Net Property Yield
	<p>The Property also includes 58 private car parking spaces and a fee paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.</p> <p>During our inspection, we note that some improvement works within the podium and the atrium was being carried out.</p> <p>Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No 12063 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>A total of 500 carparks and 50 motorcycle parking spaces were being operated as a fee-paying public carpark and the remaining 58 carparks were occupied as private carparks and let under various licences. The total average monthly gross income receivable during the period from December 2014 to November 2015 was approximately HK\$1.57 million inclusive of rates and management fees.</p> <p>Various spaces for cellular phone systems were let under four licences for various terms with the latest expiry date in September 2017, yielding a total monthly licence fee of approximately HK\$75,000 exclusive of rates and management fees.</p> <p>A satellite phone antenna, various advertising spaces and the naming rights of Citibank Tower and ICBC Tower were let under various licences with the latest expiry date in May 2020, yielding a total monthly licence fee of approximately HK\$1.81 million exclusive of rates and management fees.</p>		

Notes: (1) The Property comprises the following portions:

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

Valuation Report

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

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

- (3) The Property was subject to, *inter alia*, the following encumbrances as registered in the Land Registry as at the Valuation Date:
- (i) The portion of the Property held by Shine Hill Development Limited (see Note 2), except a portion of 3rd Floor and whole of 4th to 6th Floors of Citibank Tower, is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HK\$16,117,000,000 dated 26 April 2006.
 - (ii) The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HK\$860,000,000 dated 26 April 2006.
 - (iii) The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HK\$885,000,000 dated 26 April 2006.
 - (iv) The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HK\$363,000,000 dated 26 April 2006.
 - (v) The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HK\$3,841,000,000 dated 26 April 2006.
 - (vi) The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HK\$604,000,000 dated 26 April 2006.
 - (vii) The portion of the Property held by Shine Hill Development Limited, except portion of 3rd Floor of Citibank Tower, 4th to 6th Floors of Citibank Tower and 5th to 40th Floors of ICBC Tower, the portion of the Property held by Maple Court Limited and the portion of the Property held by CP (Portion A) Limited are subject to a legal charge and debenture in favour of Hang Seng Bank Limited.
 - (viii) 5th to 40th Floors of ICBC Tower held by Shine Hill Development Limited are subject to a legal charge in favour of Hang Seng Bank Limited.
 - (ix) The portions of the Property held by Panhy Limited, Well Charm Development Limited, CP (Portion B) Limited and Elegant Wealth Limited are subject to a legal charge and debenture in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (4) The Property lay within an area zoned "Commercial" under the draft Central District (HPA 4) Outline Zoning Plan No. S/H4/15 exhibited on 11 December 2015 as at the Valuation Date.
- (5) Pursuant to Occupation Permit No. H63/92 and the approved building plan of Citibank Plaza, each of the 3rd Floor and the 4th Floor of Citibank Tower is mainly designated as a restaurant with kitchen. Nevertheless, we have valued the aforesaid portions of the Property on office use basis all necessary approvals have been obtained from the relevant Government authorities for office use.
- (6) The rentals reported herein are the total of the face rentals without taking into account of any rent free periods or the turnover rents received, if any.

Valuation Report

- (7) The breakdown market values in respect of different portions of the Property is set out below:

Use	Market Value as at 31 December 2015
Retail	HK\$564,000,000
Office	HK\$36,142,000,000
Carpark	HK\$471,000,000
Miscellaneous	HK\$410,000,000
Total	HK\$37,587,000,000

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (including Shop No. 5 but excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2015 is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	1,117,579	91.2
Vacant	107,988	8.8
Total	1,225,567	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2010	227,655	20.4	\$16,182,383	18.4	5	3.6
2011	84,431	7.6	\$6,509,442	7.4	4	2.9
2012	12,276	1.1	\$1,211,610	1.4	2	1.5
2013	218,426	19.5	\$17,346,123	19.7	29	21.2
2014	264,155	23.6	\$20,990,092	23.8	49	35.8
2015	310,636	27.8	\$25,856,374	29.3	48	35.0
Total	1,117,579	100	\$88,096,024	100	137	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2015	7,997	0.7	\$687,696	0.8	2	1.5
2016	347,000	31.1	\$26,251,285	29.8	48	35.0
2017	253,074	22.6	\$20,050,655	22.8	40	29.2
2018	130,426	11.7	\$11,176,483	12.7	31	22.6
2019	92,759	8.3	\$7,486,403	8.5	5	3.7
2020	154,010	13.8	\$11,750,780	13.3	5	3.6
2021	132,313	11.8	\$10,692,722	12.1	6	4.4
Total	1,117,579	100	\$88,096,024	100	137	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	4,006	0.4	\$344,288	0.4	3	2.2
2	67,134	6.0	\$5,447,296	6.2	25	18.2
3	326,669	29.2	\$27,364,400	31.1	80	58.4
4	72,706	6.5	\$5,875,788	6.7	6	4.4
5	43,107	3.9	\$3,474,988	3.9	2	1.5
6	471,938	42.2	\$35,446,544	40.2	18	13.1
7	132,019	11.8	\$10,142,720	11.5	3	2.2
Total	1,117,579	100	\$88,096,024	100	137	100

Note: The above tenancy profile includes a shop with area 382 sq ft which was let under a single tenancy with office units Portion A of 40/F and 43/F to 50/F of Citibank Tower but excludes 16 renewal tenancies for terms of two years to five years commencing in between January 2016 and May 2017 and three committed new letting tenancies for terms of three years to five years commencing in between January 2016 and March 2016.

- (9) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding Shop No. 5 and the licensed miscellaneous premises) as at 31 December 2015 is set out below:

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

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2013	10,212	24.2	\$649,197	24.1	4	66.7
2015	31,999	75.8	\$2,044,775	75.9	2	33.3
Total	42,211	100	\$2,693,972	100	6	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2016	10,212	24.2	\$649,197	24.1	4	66.6
2017	1,482	3.5	\$222,300	8.2	1	16.7
2025	30,517	72.3	\$1,822,475	67.7	1	16.7
Total	42,211	100	\$2,693,972	100	6	100

Valuation Report

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2	1,482	3.5	\$222,300	8.2	1	16.7
3	10,212	24.2	\$649,197	24.1	4	66.6
10	30,517	72.3	\$1,822,475	67.7	1	16.7
Total	42,211	100	\$2,693,972	100	6	100

Note: The above tenancy profile excludes a shop with area 382 sq ft which was let under a single tenancy with office units Portion A of 40/F and 43/F of Citibank Tower and also excludes one renewal tenancy for term of seven years commencing from April 2016.

Office Market Overview

OFFICE DEMAND

As one of the major global financial centres, Hong Kong is the preferred location for many international corporations setting up regional offices in Asia. The Central Business District (“CBD”) in Hong Kong includes Central on Hong Kong Island. Other major business districts include Sheung Wan, Wan Chai and Causeway Bay on Hong Kong Island, Tsim Sha Tsui in Kowloon, as well as decentralised areas namely Quarry Bay and North Point on Hong Kong Island. With limited availability in the central areas and the expansion of transport infrastructure, recent years have seen a rapid decentralisation of office space and the growth of new alternative office hubs such as Kowloon East¹ and Yau Ma Tei/Mong Kok in Kowloon as well as Kwai Tsing and Tsuen Wan in the New Territories.

OFFICE STOCK

Hong Kong has seen a slower growth in office stock over the last five years. According to the Rating and Valuation Department, Hong Kong’s total office stock grew 3% between 2010 and 2014. This compares with the 8% growth in total office stock between 2005 and 2009. In particular, the growth in Grade A office space slowed to 5% between 2010 and 2014, compared with the 15% increase between 2005 and 2009. Grade-A office stock grew a further 1% as of the first three quarters of 2015.

As of the first three quarters of 2015, Grade A office space (77 million sq ft) represented approximately 64% of all office stock, while the remaining 36% was Grades B and C space.

Central, being the Central Business District (CBD) of Hong Kong, is one of the key office locations for international financial institutions and regional headquarters of multinational corporations. Central represented approximately 19% of total office stock (23 million sq ft) and about 23% of the total stock of Grade A offices (17 million sq ft) in 2014². Central, together with the other major office areas including Sheung Wan, Wan Chai and Causeway Bay on Hong Kong Island, as well as Tsim Sha Tsui in Kowloon, represented around 50% of total Grade A office stock at the end of 2014.

¹ Kowloon East refers to Kwun Tong and Kowloon City.

² All areas are Internal Floor Area (IFA) unless otherwise stated.

RENTAL TRENDS

Hong Kong's Grade A office rents generally on the uptrend in the last five years (2010 to 2014), shrugged off the negative effects from the global financial crisis in late 2008 to 2009. According to the Rating and Valuation Department, the average Grade A office rent rose by around 46% from 2010 to 2014, representing a 10% Compound Annual Growth Rate (CAGR) in the period. A rise of around 31% was noted in Central from 2010 to 2014, representing a CAGR of about 7%³. Notably, Grade A office rental in Central saw a negative growth in 2013 and in early 2014 following an intensified European debt crisis in late 2012. Average Grade A office rents decreased by 4% in 2013, and increased less than 1% in 2014⁴.

However, following a recovered office demand from the financial sector, particularly Chinese financial companies after the launch of Shanghai-Hong Kong Stock Connect, Grade A office rents in Central recovered in the first three quarters of 2015. The average Grade A office rent in the district rose about 9% from the end of 2014⁵.

PRICE TRENDS

In line with the office rental trend, office price was generally on an uptrend since 2010. According to the Rating and Valuation Department, average Grade A office price in Hong Kong rose 58% from 2010 to 2013. In 2014, on the back of slowed Grade A office sales due to a series of cooling measures including the Double Stamp Duty (DSD) and the lowering of the maximum mortgage loan-to-value ratio for commercial properties, average Grade A office price in Hong Kong drop 1% in the year.

Amid an accelerated office sales activity, average Grade A office price increased 10% in the first three quarters of 2015⁴. Grade A office rental growth in the period also helped supporting capital appreciation and increasing investors' focus on the office sales market.

In Central, average Grade A office price in the district saw a 61% growth from 2010 to 2013, followed by a 1% decline amid a softened commercial investment market sentiment in Hong Kong in 2014, according to Rating and Valuation Department figures. The district saw a recovery in price growth in the first three quarters of 2015, recording a 7% growth from the end of 2014 based on Knight Frank estimates.

SUPPLY⁶

Hong Kong's Grade A office supply trend down over the last ten years (2005 to 2014), due to a general lack of sites in core office locations. Grade A office supply averaged about 1.1 million sq ft per annum in the last five years (2010 to 2014), 42% lower than the average 1.9 million sq ft supply per annum in the period of 2005 to 2009. Meanwhile, Grade A office supply in Central fell to an average 34,200 sq ft per annum in the period of 2010 to 2014 from an average 86,800 sq ft in the period of 2005 to 2009.

³ Rating and Valuation Department figures

⁴ Rating and Valuation Department figures

⁵ Knight Frank estimates

⁶ All areas are Internal Floor Area (IFA) unless otherwise stated

Valuation Report

Hong Kong is expected to see a slight increase in office supply from 2015 to 2019. New Grade A office supply is projected to reach a total of 7.8 million sq ft, representing an annual average of approximately 1.6 million sq ft. This compares with the average supply of 1.2 million sq ft per annum from 2009 to 2014. While office take-up varies with market conditions and business environment every year, the future office supply level from 2015 to 2019 is still expected to be below the annual average take-up of about 2 million sq ft per annum over the past 20 years (1995 to 2014).

Analysing the future supply by districts, it is worth noting that most of the future supply will be located outside the core business districts in Hong Kong, namely Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui districts. These districts will only represent about 25% of the total supply in the coming five years (2015 to 2019). Notably, none of the new Grade A supply will be in Central in the period.

Earmarked by the Government as the new Central Business District ("CBD2"), the Kowloon East area, which covers Kwun Tong and Kowloon City, will be the area with the largest office supply. The area is expected to add about 3.9 million sq ft or 50% to the total new office supply of Hong Kong between 2015 and 2019.

VACANCY⁷

Demand for office space in Hong Kong has remained resilient in the past despite a number of economic downturns. Net office take-up continued to remain positive in 2014 and in the first three quarters of 2015. Average Grade A office vacancy rate in Hong Kong was stable in 2014 and in the first three quarters of 2015, showing no major signs of downturn in office space absorption.

Supported by steady office demand, Grade A office vacancy in Hong Kong remained stable in 2014 and trended downwards in the first three quarters of 2015. The average Grade A office vacancy rate edged down to about 3.4% in 2014 from 3.6% in 2013, and dropped further to about 2.0% in the third quarter of 2015.

In light of recovered office demand from the financial sector, particularly from Chinese financial institutions, Grade A office vacancy rates in Central and Admiralty were about 1.8% and 2.1% respectively in the third quarter of 2015. The Grade A office vacancy rates in Tsim Sha Tsui and Kowloon East remained stable at respectively 1.3% and 3.8%.

OUTLOOK

In general, office demand in Hong Kong is likely to remain firm, notwithstanding any major economic downturn. Demand from Chinese firms is set to remain strong as they continue to seek quality office space in Hong Kong. This will help boosting demand for Grade A office in core business districts such as Central.

Meanwhile, a firming of demand in the United States and European Union will contribute to an improvement in external conditions in coming few years, which will bolster Hong Kong's exports. Despite the forecast slowdown in domestic-demand growth in China over the period, China's trade will continue to expand at a healthy pace, providing further support. Hence the demand for office space from the trading sector is expected to improve.

Therefore, in view of the limited future office supply particularly in Central, as well as a recovered office demand in the district, both rents and values should be well supported in the area.

⁷ Knight Frank estimates



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1 February 2016

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

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

Dear Sirs

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

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2015 (referred to as the "Valuation Date") for reporting purposes.

Valuation Report

Basis of Valuation

In arriving at our opinion of the market value, we followed The HKIS Valuation Standards (2012 Edition) issued by The Hong Kong Institute of Surveyors (HKIS). Under the said standards, Market Value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

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

The market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation complies with the requirements set out in The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts published by The Securities and Futures Commission and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the Property subject to its existing tenancies. In undertaking our valuation of the Property, Income Capitalization and Direct Comparison approaches are adopted. Income Capitalization approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the Property’s type of use, building age and condition. In the course of our valuation, we have assumed that no significant capital expenditure by the owner of the Property will be required in the foreseeable future. Apart from Income Capitalization approach, Direct Comparison approach is adopted for cross-referencing purpose.

Income capitalization

The existing net rental income, i.e. rent exclusive of rates, management fees, air-conditioning charges and other tenants’ outgoings, of all lettable space of a property, is capitalized in respect of the unexpired term of each contractual tenancy. Upon reversion, i.e. the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the Valuation Date in turn capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of a property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred. The capitalization rate adopted is made by reference to the yield achieved in analysed market sales of retail space/office spaces and our knowledge of the market. This expected rate of return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like. Our adopted capitalization rate for both the retail and office accommodations is 4.00%.

Direct comparison

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

As there were limited en-bloc/bulk transactions for comparison in our valuation, we have also made reference to transactions of strata-titled properties in the vicinity. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Capitalization Approach.

Valuation Assumptions and Considerations

Our valuation is subject to the following assumptions and considerations.

We have taken reasonable care to investigate the title of the Property by obtaining the sample land search records from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

We have relied to a very considerable extent on information given by the Manager and have accepted advice given to us on such matters as, if any, planning approvals or statutory notices, easements, tenure, occupancy, incomes, carpark numbers, floor areas and all other relevant matters. We have not verified the information provided to us and have assumed that they are correct. We do not undertake to certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. We were also advised by you that no material facts have been omitted from the information provided. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

As instructed, we have relied upon carpark numbers as advised by the instructing party. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.

We have assumed that the Property valued had been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

Valuation Report

We inspected the exterior and where available, portion of the interior of the Property on 2 January 2016. The inspection of the Property was undertaken by Mr Kenneth Lok, Manager of the General Valuation Department. Nevertheless, we have assumed in our valuation that the Property was in satisfactory exterior and interior decorative order without any unauthorized extensions or structural alterations as at the Valuation Date.

In valuing the Property, we have made reference to the relevant transactions and market conditions as at the Valuation Date. The value of the Property may be affected in a volatile market conditions. Unless otherwise stated, we assumed that the Property is free from encumbrances, restrictions, incidents and outgoing of any onerous nature which could affect its value.

Limiting Conditions

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Thomas H M Lam

FRICS MHKIS MHKSI RPS(GP)

Senior Director, Head of Valuation & Consultancy

Note: Thomas H M Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific region (ex-Japan).

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015	Estimated Net Property Yield
<p>(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street, (2) Retail Block, Langham Place, 8 Argyle Street, (3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon</p> <p>1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No 11099.</p>	<p>Langham Place is a retail/office/hotel/ carpark complex erected on two rectangular sites, separated by Shanghai Street, having a total registered site area of about 11,976 sq m (128,910 sq ft). The development was completed in 2004.</p> <p>Currently standing on the eastern site is a 59-level tower (comprising 46 levels of office, four levels of shop, five mechanical floors, two refuge floors and two roof floors) and a 15-storey retail building (including two basement levels) erected over three levels of basement carpark.</p> <p>Currently standing on the western site is a hotel built over two levels of basement carpark. In addition, government, institution and community facilities as well as public open space are provided on the site.</p> <p>Two covered footbridges and an underground vehicle tunnel across Shanghai Street are constructed to inter-connect the development between the two separate sites.</p>	<p>The office portion of the Property was let under various tenancies mostly for terms of two or three years with the latest expiry date in November 2021 yielding a total monthly rental of approximately HK\$26.61 million exclusive of rates, management fees and air-conditioning charges. A number of tenancies contain options to renew for further terms at the then prevailing market rents.</p> <p>The retail portion of the Property was let under various tenancies mostly for terms of two or three years with the latest expiry date in July 2024 yielding a total monthly basic rent of approximately HK\$56.26 million exclusive of rates, management fees and air-conditioning charges. Most of the tenancies are subject to turnover rents. The average monthly turnover rent receivable during the period from January 2015 to November 2015 was about HK\$6.78 million.</p> <p>The occupancy rates of the office and retail portions were both approximately 100%.</p>	<p>HK\$27,196,000,000</p> <p>(Hong Kong Dollars Twenty Seven Billion One Hundred and Ninety Six Million)</p>	<p>4.1%</p>

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015	Estimated Net Property Yield
	<p>The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq m (702,911 sq ft).</p> <p>The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq m (589,844 sq ft) and a Gross Rentable Area of approximately 29,648.18 sq m (319,133 sq ft).</p> <p>The Property also comprises a carpark at the basement levels, 8 Argyle Street, and 555 and 557 Shanghai Street accommodating a total of 250 car parking spaces.</p> <p>Kowloon Inland Lot No 11099 is held from the Government under Conditions of Exchange No UB12557 for a term from 18 February 2000 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>The carpark was operated as a fee-paying public carpark let on monthly and hourly bases. The average monthly gross income receivable during the period from December 2014 to November 2015 was approximately HK\$1.80 million.</p> <p>Miscellaneous income was generated from lightboxes, signage spaces and other miscellaneous items yielding an average monthly licence fee of approximately HK\$1.43 million.</p>		

Notes: (1) The registered owner of the Property was Benington Limited as at the Valuation Date.

(2) The Property also comprises the Reserved Area defined in the Deed of Mutual Covenant and Management Agreement dated 27 June 2005 as those parts of the Development not specifically included in the Government Accommodation or any Component, the Development CAF or HB/Retail CAF (all terms as defined in the said Deed of Mutual Covenant and Management Agreement) and reserved for the exclusive use and enjoyment of Benington Limited.

- (3) The office portion of the Property was subject to, *inter alia*, the following encumbrance as registered in the Land Registry as at the Valuation Date:
- (i) Legal Charge in favour of Hang Seng Bank Limited (on its own behalf and as agent for the lenders)
- (4) For the office portion of the Property, the Gross Rentable Area is equal to the Total Floor Area.
- (5) The Property lay within an area zoned "Commercial (2)" under the draft Mong Kok (KPA 3) Outline Zoning Plan No S/K3/30 exhibited on 31 May 2013 as at the Valuation Date.
- (6) The rentals reported herein are the total of the face rentals without taking into account of any rent free periods or the turnover rents received, if any.
- (7) The breakdown market values in respect of different portion of the Property is set out below:

Use	Market Value as at 31 December 2015
Retail	HK\$18,250,000,000
Office	HK\$8,402,000,000
Carpark	HK\$330,000,000
Miscellaneous	HK\$214,000,000
Total	HK\$27,196,000,000

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2015 is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	702,911	100
Vacant	0	0
Total	702,911	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly [#] Rental (HK\$)	% of total	No. of Tenancy	% of total
2010	76,735	10.9	\$2,572,408	9.7	3	4.6
2012	2,751	0.4	\$90,783	0.3	1	1.5
2013	237,257	33.8	\$8,849,151	33.3	17	26.2
2014	262,969	37.4	\$10,205,771	38.3	27	41.5
2015	123,199	17.5	\$4,893,137	18.4	17	26.2
Total	702,911	100	\$26,611,250	100	65	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly [#] Rental (HK\$)	% of total	No. of Tenancy	% of total
2015	11,892	1.7	\$380,544	1.4	1	1.5
2016	342,263	48.7	\$12,533,628	47.1	23	35.4
2017	128,099	18.2	\$4,804,484	18.0	19	29.2
2018	100,212	14.2	\$3,933,165	14.8	15	23.1
2019	58,910	8.4	\$2,276,702	8.6	4	6.2
2020	44,137	6.3	\$2,012,904	7.6	2	3.1
2021	17,398	2.5	\$669,823	2.5	1	1.5
Total	702,911	100	\$26,611,250	100	65	100

Valuation Report

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly* Rental (HK\$)	% of total	No. of Tenancy	% of total
2	65,106	9.3	\$2,464,097	9.3	7	10.8
3	401,703	57.1	\$15,077,243	56.7	44	67.7
4	17,398	2.5	\$704,619	2.6	1	1.5
5	97,832	13.9	\$3,893,065	14.6	8	12.3
6	103,474	14.7	\$3,802,402	14.3	4	6.2
7	17,398	2.5	\$669,823	2.5	1	1.5
Total	702,911	100	\$26,611,250	100	65	100

Note: The above tenancy profile of office portion excludes eight renewal tenancies for terms of three to six years commencing in between February 2016 and September 2016 and three new letting tenancies for terms of two to four years commencing in between January and May 2016.

#: Individual monthly rental may not sum to total due to rounding issues.

- (9) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding the licensed miscellaneous premises) as at 31 December 2015 is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	319,107	99.99
Landlord Occupied	26	0.01
Total	319,133	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
2012	32,183	10.1	\$5,941,480	10.6	6	3.0
2013	101,503	31.8	\$22,958,869	40.8	63	31.3
2014	108,322	33.9	\$14,361,589	25.5	60	29.9
2015	76,930	24.1	\$12,989,565	23.1	70	34.8
Monthly	169	0.1*	\$10,576	0.0#	2	1.0
Total	319,107	100	\$56,262,079	100	201	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of Total
2016	87,579	27.5	\$17,364,754	30.9	85	42.3
2017	66,917	21.0	\$12,717,041	22.6	54	26.8
2018	81,813	25.6	\$17,837,265	31.7	49	24.4
2019	27,536	8.6	\$2,588,592	4.6	5	2.5
2020	4,874	1.5	\$245,695	0.4	3	1.5
2021	5,479	1.7	\$568,156	1.0	2	1.0
2024	44,740	14.0	\$4,930,000	8.8	1	0.5
Monthly	169	0.1*	\$10,576	0.0#	2	1.0
Total	319,107	100	\$56,262,079	100	201	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
1	4,617	1.5	\$1,547,265	2.8	5	2.5
2	19,286	6.0	\$2,922,356	5.2	38	18.9
3	138,494	43.4	\$27,403,839	48.7	127	63.2
4	34,813	10.9	\$3,907,885	6.9	14	6.9
5	71,509	22.4	\$14,972,002	26.6	12	6.0
6	5,479	1.7	\$568,156	1.0	2	1.0
10	44,740	14.0	\$4,930,000	8.8	1	0.5
Monthly	169	0.1*	\$10,576	0.0#	2	1.0
Total	319,107	100	\$56,262,079	100	201	100

* 0.05% rounded to 0.1%

0.02% rounded to 0%

Note: The above tenancy profile of retail portion excludes 21 renewal tenancies for terms of one year to four years commencing in between January 2016 and November 2016 and nine committed new lettings for terms of two years to four years commencing in between March 2016 and November 2016.

Office Market Overview

Office demand

As one of the major global financial centres, Hong Kong is the preferred location for many international corporations setting up regional offices in Asia. The Central Business District ("CBD") in Hong Kong includes Central on Hong Kong Island. Other major business districts include Sheung Wan, Wan Chai and Causeway Bay on Hong Kong Island, Tsim Sha Tsui in Kowloon, as well as decentralised areas namely Quarry Bay and North Point on Hong Kong Island. With limited availability in the central areas and the expansion of transport infrastructure, recent years have seen a rapid decentralisation of office space and the growth of new alternative office hubs such as Kowloon East¹ and Yau Ma Tei/Mong Kok in Kowloon as well as Kwai Tsing and Tsuen Wan in the New Territories.

Office stock²

Hong Kong has seen a slower growth in office stock over the last five years. According to the Rating and Valuation Department, Hong Kong's total office stock grew 3% between 2010 and 2014. This compares with the 8% growth in total office stock between 2005 and 2009. In particular, the growth in Grade A office space slowed to 5% between 2010 and 2014, compared with the 15% increase between 2005 and 2009. Grade-A office stock grew a further 1% as of the first three quarters of 2015.

As of the first three quarters of 2015, Grade A office space (77 million sq ft) represented approximately 64% of all office stock, while the remaining 36% was Grades B and C space.

Yau Ma Tei/Mong Kok is one of the favourite office locations for trading, consumer goods and insurance companies. Yau Ma Tei/Mong Kok represented approximately 8% of total office stock of all grades (9.1 million sq ft) and 5% of the total stock of Grade A offices (3.6 million sq ft) in 2014. Yau Ma Tei/Mong Kok, together with the other decentralised office areas including North Point, Quarry Bay on the Hong Kong Island, Kowloon East in Kowloon, Kwai Tsing and Tsuen Wan in the New Territories, represented around 37% of total Grade A office stock at the end of 2014.

¹ Kowloon East refers to Kwun Tong and Kowloon City.

² All areas are Internal Floor Area (IFA) unless otherwise stated.

Valuation Report

Rental trends

Hong Kong's Grade A office rents generally on the uptrend in the last five years (2010 to 2014), shrugged off the negative effects from the global financial crisis in late 2008 to 2009. According to the Rating and Valuation Department, the average Grade A office rent rose by around 46% from 2010 to 2014, representing a 10% Compound Annual Growth Rate (CAGR) in the period. A rise of around 39% was noted in Yau Ma Tei/Mong Kok from 2010 to 2014, representing a CAGR of about 8%³.

Grade A office rents continue to trend up in the first three quarters of 2015. The average Grade A office rent rose a further 9% from the end of 2014, while rents in Yau Ma Tei/Mong Kok rose about 4% in the same period on the back of a steady office demand in the corporate sector⁴.

Price trends

In line with the office rental trend, office price was generally on an uptrend in the last five years (2010 to 2014). According to the Rating and Valuation Department, average Grade A office price in Hong Kong rose 58% from 2010 to 2013. In 2014, on the back of slowed Grade A office sales due to a series of cooling measures including the Double Stamp Duty (DSD) and the lowering of the maximum mortgage loan-to-value ratio for commercial properties, average Grade A office price in Hong Kong drop 1% in the year.

Amid an accelerated office sales activity, average Grade A office price increased 10% in the first three quarters of 2015⁴. Grade A office rental growth in the period also helped supporting capital appreciation and increasing investors' focus on the office sales market.

Supply⁵

Hong Kong's Grade A office supply trend down over the last ten years (2005 to 2014), due to a general lack of sites in core office locations. Grade A office supply averaged about 1.1 million sq ft per annum in the last five years (2010 to 2014), 42% lower than the average 1.9 million sq ft supply per annum in the period of 2005 to 2009. Meanwhile, Grade A office supply in Yau Ma Tei/Mong Kok area fell to an average 87,800 sq ft per annum in the period of 2010 to 2014 from an average 252,500 sq ft in the period of 2005 to 2009.

Hong Kong is expected to see a slight increase in office supply from 2015 to 2019. New Grade A office supply is projected to reach a total of 7.8 million sq ft, representing an annual average of approximately 1.6 million sq ft. This compares with the average supply of 1.2 million sq ft per annum from 2009 to 2014. While office take-up varies with market conditions and business environment every year, the future office supply level from 2015 to 2019 is still expected to be below the annual average take-up of about 2 million sq ft per annum over the past 20 years (1995 to 2014).

Analysing the future supply by districts, it is worth noting that most of the future supply will be located outside the core business districts in Hong Kong, namely Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui districts. These districts will only represent about 25% of the total supply in the coming five years (2015 to 2019).

³ Rating and Valuation Department figures

⁴ Knight Frank estimates

⁵ All areas are Internal Floor Area (IFA) unless otherwise stated

Earmarked by the Government as the new Central Business District (“CBD2”), the Kowloon East area, which covers Kwun Tong and Kowloon City, will be the area with the largest office supply. The area is expected to add about 3.9 million sq ft or 50% to the total new office supply of Hong Kong between 2015 and 2019. Notably, none of the new supply will be in Yau Ma Tei/Mong Kok.

Vacancy⁶

Demand for office space in Hong Kong has remained resilient in the past despite a number of economic downturns. Net office take-up continued to remain positive in 2014 and in the first three quarters of 2015. Average Grade A office vacancy rate in Hong Kong was stable in 2014 and in the first three quarters of 2015, showing no major signs of downturn in office space absorption.

Supported by steady office demand, Grade A office vacancy in Hong Kong remained stable in 2014 and trended downwards in the first three quarters of 2015. The average Grade A office vacancy rate edged down to about 3.4% in 2014 from 3.6% in 2013, and dropped further to about 2.0% in the third quarter of 2015.

Driven by decentralisation trend, Grade A office vacancy rate remained at relatively low levels in decentralised areas. In the third quarter of 2015, Grade A office the vacancy rates in North Point/Quarry Bay and Kowloon East remained stable at about 1.5% and 3.8% respectively. Meanwhile in Yau Ma Tei/Mong Kok, Grade A office vacancy rate remained at approximately 1.9% in the third quarter of 2015.

Outlook

In general, office demand in Hong Kong is likely to remain firm, notwithstanding any major economic downturn. Demand from Chinese firms is set to remain strong as they continue to seek quality office space in Hong Kong. The lack of available office space and the high rentals in core business districts are expected to drive the decentralisation trend in the next few years.

The slowing expansion of international retail brands in the city on the back of a softening retail market means they might slow their pursuit of office spaces for their operations in the short term.

Meanwhile, a firming of demand in the United States and European Union will contribute to an improvement in external conditions in coming few years, which will bolster Hong Kong's exports. Despite the forecast slowdown in domestic-demand growth in China over the period, China's trade will continue to expand at a healthy pace, providing further support. Hence the demand for office space from the trading sector is expected to improve.

Therefore, in view of the limited future office supply particularly in the core business districts, an expected decentralisation trend and an improving trading sector, coupled with no upcoming new office supply in the Mong Kok area, both rents and values should be well supported.

⁶ Knight Frank estimates

Valuation Report

Retail Market Overview

Retail stock

Attracting more than 50 million visitors a year, Hong Kong is one of the world's top shopping destinations, housing a high representation of luxury and mid-end retailers. In the third quarter of 2015, Hong Kong had a total of approximately 118 million sq ft of private commercial stock⁷. 41% of private commercial stock is located in Kowloon while Hong Kong Island and the New Territories each represented around 30% of the total commercial stock in the city.

The total stock of private commercial premises in Hong Kong saw only small increase in the past five years. While stock went up by 12% between 2005 and 2009, the increase slowed to a mere 2% in the period of 2010 to 2014, and less than 1% as of the first three quarters of 2015. Per capita stock⁸ therefore fell to about 16.2 sq ft per person in the third quarter of 2015 from 16.4 sq ft per person in 2010, compares with 15.0 sq ft per person in 2005.

As one of the most popular shopping and entertainment spot for both visitors and locals in Hong Kong, Yau Tsim Mong (which includes Tsim Sha Tsui, Yau Ma Tei and Mong Kok Districts) concentrates a number of major shopping malls, including Harbour City in Tsim Sha Tsui and Langham Place in Mong Kok. In addition, Mong Kok is a retail spot particularly popular among local youngsters, characterised by a balanced mix of street shop clusters catering for both visitors and locals. In 2014, total private commercial stock in the Yau Tsim Mong area amounted to 22.4 million sq ft in 2014, representing 47% of total stock in Kowloon and 19% of the total in Hong Kong.

Rental trends

Hong Kong's average retail rents largely maintained a steady growth from 2010 to 2013 on the back of strong retail sales growth in the city. Average retail rents recorded a 10% CAGR growth in the period, while retail sales saw a 15% CAGR growth.

Retail rental growth slowed in 2014 amid a softened retail sales growth. Retail sales witnessed a 0.2% decline in the year, dragged by a fall of 13.7% in sales of jewellery, watches, clocks and valuable gift. The growth in average retail rents slowed to 4.6% in 2014, reflecting the softened retail demand from luxury retailers for prime street shop locations.

Despite the continual slowdown in retail sales in the first three quarters of 2015, average retail rent in Hong Kong remained firm and saw an approximately 5% growth in the third quarter of 2015 from the end of 2014. Rental trend is generally stable in view of the strong domestic spending in Hong Kong on the back of a stable employment market.

Price trends

Average retail price in Hong Kong saw a surge after the Global Financial Crisis amid a positive retail market sentiment and an influx of mainland visitors. Private retail prices rose by a CAGR of 25% from 2010 to 2013⁹, a rate much faster than the growth in average private retail rents over the same period.

⁷ According to the Rating and Valuation Department, private commercial premises include retail premises such as shopping malls and street shops, as well as other premises designed or adopted for commercial use, with the exception of purpose-built offices

⁸ The figure derives from total year-end private commercial stock divided by total year-end population

⁹ Rating and Valuation Department figures

Investment sentiment in the private retail properties was cooled in 2014 in light of the softened retail market and the resulting slowed retail rental growth. Average private retail price rose by 2.8% in 2014, and a further 5.5%¹⁰ in the first three quarters of 2015.

Supply¹¹

Hong Kong's supply of private retail stock has fallen behind the long-term average take-up rate in the last five years (2010 to 2014). Completion averaged about 629,500 sq ft per annum, compared with the 887,000 sq. ft. average take-up per annum in the period of 2005 to 2014. This had helped pushing up retail rentals in the city.

Looking forward, supply is expected to increase in the coming five years (2015 to 2019). About 916,000 sq ft of private retail supply is expected per year between 2015 and 2019, with the highest proportion of new centres located in the New Territories, representing approximately 50% of total future supply¹².

Private retail properties that are to be completed in 2015 are relatively small in scale, with Gross Floor Area (GFA) less than 130,000 sq ft. This compares with large-scale shopping centres completed in recent years, such as Hysan Place (400,000 sq ft) in Causeway Bay and Popcorn (431,000 sq ft) in Tseung Kwan O which were completed in 2012, as well as Domain (484,000 sq ft) in 2011.

Notable private retail project in the pipeline include the New World Centre redevelopment and 15 Middle Road development in Tsim Sha Tsui, which is expected to be completed by 2017 and 2019 respectively. However, the retail scales in these two projects are not yet determined. Meanwhile, the first phase of the 2 million sq. ft. GFA retail mall in the North Commercial District of Hong Kong International Airport is expected to be completed by 2019.

Take-up and vacancy

Take-up was largely positive over the last ten years (2005 to 2014), averaging 887,000 sq ft per annum. Meanwhile, the vacancy rate averaged approximately 8.3% over the same period. Average take-up showed a downward trend in recent years, dropping from an average 1.1 million sq ft per annum in the period of 2005 to 2009 to an average 635,000 sq ft in the period of 2010 to 2014. This could attribute to the falling supply levels in the city.

Meanwhile, amid a steady retail demand, average vacancy rate of private retail premises generally showed a downward trend over the last ten years (2005 to 2014), dropping from an average 9.1% in the period of 2005 to 2009 to an average 7.5% in the period of 2010 to 2014. A softened retail market sentiment had slightly pushed up vacancy rate to 7.3% in 2014 from 7.2% in 2013.

Outlook

The retail market in Hong Kong remains challenging in the short term, which in turn will limit the retail rental growth. A slower Chinese visitor arrivals and spending will continue to pressurise luxury retail sales. Meanwhile, domestic spending remains strong on the back of stable employment market, which will support mid-end spending as well as necessities spending.

In a longer term, the continual improvements in the city's infrastructure, coupled with a steady economic growth of both Hong Kong and China should support the overall retail sales in Hong Kong. Meanwhile, the increasing trend of middle-class Mainland tourists and stable consumption of the local population will result in higher retail sales of mid-range products and F&B consumption. It is therefore expected to benefit overall retail property demand.

¹⁰ Knight Frank estimates

¹¹ All areas are Internal Floor Area (IFA) unless otherwise stated

¹² Knight Frank estimates

Trustee's Report

TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST

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

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009, the fourth supplemental deed dated 23 July 2010, the fifth supplemental deed dated 13 March 2012 and the sixth supplemental deed dated 23 January 2015 for the financial year ended 31 December 2015.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 25 February 2016

Corporate Governance Report

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 major activities since 2015 are set out below:

- **Publication of Monthly Updates on Investment Portfolio on the website of Champion REIT**

In accordance with the Code on Real Estate Investment Trusts (“REIT Code”), commencing from March 2015, Monthly Updates on Investment Portfolio of the Relevant Investment of Champion REIT with key information were published on the website of Champion REIT within five business days of each calendar month end. The said information would also be disclosed in annual and interim reports of Champion REIT and such disclosure in the annual reports should be reviewed by the Audit Committee of the REIT Manager.

- **Change of Chief Investment Officer of the REIT Manager**

Mr. Choo Chong Yao, Patrick has resigned from the office of Chief Investment Officer and ceased to be a Responsible Officer of the REIT Manager with effect from 15 July 2015. The role as Chief Investment Officer of the REIT Manager was taken by Ms. Wong Ka Ki, Ada since his resignation. The cessation of Mr. Choo as a Responsible Officer of the REIT Manager has been reported to the Securities and Futures Commission (“SFC”). He was also removed as an authorised signatory of the related bank accounts. The REIT Manager has reviewed the Compliance Manual to ensure that no amendment is necessary in relation to the change of Chief Investment Officer.

- **Succession Arrangement of Executive Director and Chief Executive Officer of the REIT Manager**

On 25 February 2016, the Board announced that Mr. Lee Ching Ming, Adrian, Executive Director and Chief Executive Officer of the REIT Manager, has decided to retire from his present positions effective 30 June 2016 after he reaches the age of 65. Mr. Lee will also cease to be a Responsible Officer and the Chairman and a member of the Disclosure Committee of the REIT Manager. Until then, Mr Lee will continue in his current roles to ensure a smooth transition. Ms. Wong Ka Ki, Ada, who is at present Deputy Chief Executive Officer and Chief Investment Officer, will succeed Mr. Lee as Executive Director and Chief Executive Officer of the REIT Manager with effect from 30 June 2016. Upon her appointment as Executive Director and Chief Executive Officer, Ms. Wong will also be appointed as a member and the Chairman of the Disclosures Committee of the REIT Manager.

- **General Mandate**

A general mandate for buy-back no more than 10% of Units in the open market was granted by Unitholders at the annual general meeting held on 22 May 2015.

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.

Corporate Governance Report

AUTHORISATION STRUCTURE

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the 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 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.

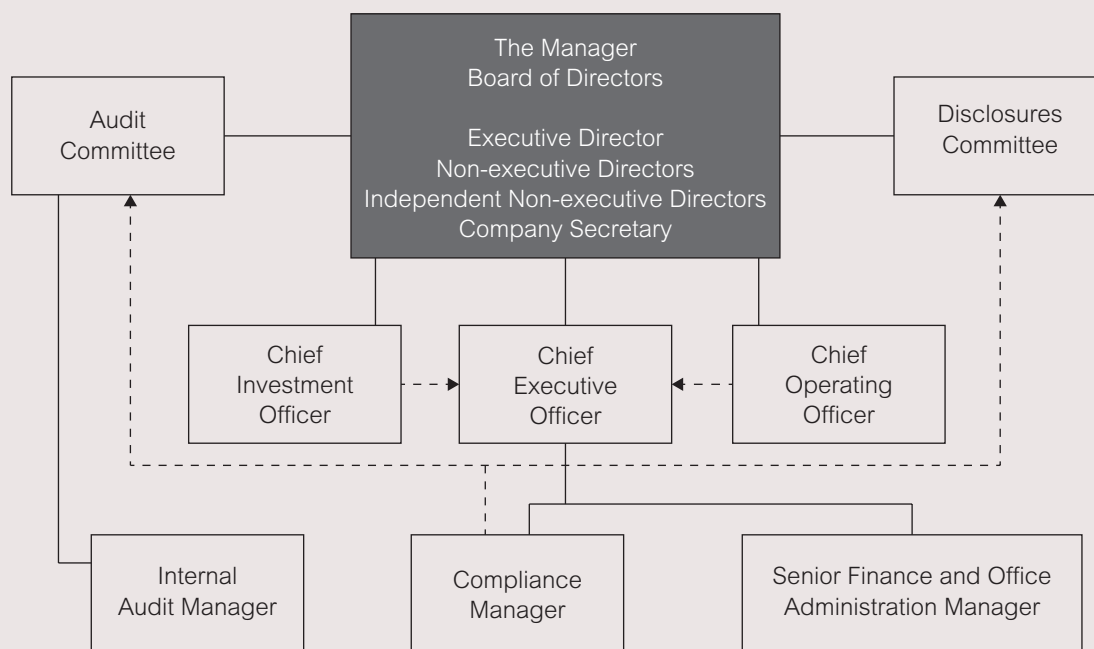
Pursuant to the Property Management Agreement, Eagle Property Management (CP) Limited (the “Property Manager”) provides property management services, lease management services and marketing services for the properties of Champion REIT located in Hong Kong on an exclusive basis subject to the overall 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.

GOVERNANCE PRACTICES

Roles of the Trustee and the REIT Manager

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, and to oversee the activities of the REIT 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.

Organisation and Reporting Structure of the REIT Manager



Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors. The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 3 Independent Non-executive Directors). The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Lo Ka Shui who is a Non-executive Director. The Chief Executive Officer is Mr. Lee Ching Ming, Adrian who is an Executive Director. The composition of the Board of the REIT Manager during the year is set out below:

Non-executive Directors

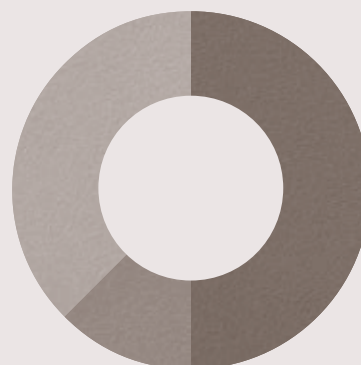
Lo Ka Shui (Chairman)
Ho Shut Kan
Ip Yuk Keung, Albert
Lo Kai Shui

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



- 50% Non-executive Director
- 12.5% Executive Director
- 37.5% Independent Non-executive Director

* Will be succeeded by Ms. Wong Ka Ki, Ada with effect from 30 June 2016.

Corporate Governance Report

Biographical details of the Directors are set out on pages 14 to 18 of this Annual Report and published on the Trust's website at www.ChampionReit.com. One-third of the Directors shall retire from office at every annual general meeting of the REIT Manager, or if their number is not a multiple of three, then number nearest to one-third shall retire from office in accordance with the articles of association of the REIT Manager. A retiring Director shall be eligible for re-election provide that if the retiring Director is an Independent Non-executive Director who serves the Board more than 9 years, his further appointment will be subject to a separate resolution to be approved by the Unitholders at the Annual General Meeting of Champion REIT. Mr. Lo Ka Shui, the Chairman and Non-executive Director is an elder brother of Mr. Lo Kai Shui, a Non-executive Director of the REIT Manager. Mr. Ip Yuk Keung, Albert is the Executive Director and Chief Executive Officer of the Manager of the publicly listed trust, Langham Hospitality Investments, of which Great Eagle Holdings Limited has 60.7% interests and Mr. Lo Ka Shui is the Chairman and Non-executive Director. Apart from that, there are no other financial, business, family or other material or relevant relationships between board members.

Board Diversity

Our Directors are drawn from a broad range of commercial background and experience including expertise in property and financial services. In reviewing Board composition, the REIT Manager will take into account the Company's strategic priorities to determine the appropriate range and balance of skills, experience, knowledge and independence. Appointments to the Board are on merit and against objective criteria and with due regard for the benefits of diversity. Considerations that factor into the candidate short-listing process include but not limited to legal requirements, best practices, skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. Restrictions like gender, age, cultural or educational background will not be set when short-listing candidates. The Chairman of the Board should be a Non-executive Director of the REIT Manager and at least one-third, and a minimum of three members of the Board should be Independent Non-executive Directors.

Board Responsibilities

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

Key Reserved Matters to the Board

- treasury, taxes, financial risk management and capital policies and significant changes in accounting policy
- sale and acquisition of properties
- issue of new Units
- changes to the Corporate Governance Policy
- distributions of Champion REIT to Unitholders
- annual, interim reports and circulars to Unitholders
- appointment and removal of Directors to the REIT Manager
- changes to the provisions in the Trust Deed
- appointment and removal of auditors of Champion REIT and approval of the audit fee
- material contracts not in the ordinary course of business
- potential areas of possible conflict

Independence

Pursuant to the REIT Manager's corporate governance policy, Independent Non-executive Directors must be individuals who fulfill the independence criteria set out in the Compliance Manual that are no less exacting than those set out in rule 3.13 of the Listing Rules for assessing the independence of an independent non-executive director. Each of the Independent Non-executive Directors of the REIT Manager has provided a written annual confirmation of independence to the REIT Manager.

Mr. Cha Mou Sing, Payson, Mr. Cheng Wai Chee, Christopher and Mr. Shek Lai Him, Abraham, the Independent Non-executive Directors of the REIT Manager, have served on the Board since 2006. Notwithstanding their length of service, the Board is of the view that they demonstrate complete independence in character and judgment both as Board members and in their designated roles. The Board also believes that they continue to bring independent view of the affairs of Champion REIT to the Board and their in-depth knowledge of the Trust's business and their extensive experience continue to provide invaluable contribution to the Board.

Corporate Governance Report

Continuing Professional Development

To keep Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Trust's business and operating environment, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director are provided to each Director by the Company Secretary periodically to foster the refreshing and ongoing updating of Board members' skills and knowledge.

During the year ended 31 December 2015, the Directors received information packages with focus on the topics of the risk management and internal control, global economics environment and latest update of statutory and regulatory requirements relevant to the Directors. Each of the Directors participated in no less than 10 training hours during the year ended 31 December 2015, and all the Directors had provided confirmation on their respective training records to the REIT Manager.

Supply of and Access to Information

In addition to the monthly reports covering operating highlights of the Trust's business, thorough and comprehensive management and financial updates are provided to all Board members on a quarterly basis to ensure each member is informed of the state of the business and enable them to make proper response and follow up. If there are material matters worth the immediate attention of the Board members, the REIT Manager will provide the Directors with the necessary information in the form of exceptional reports. Also, additional information will always be provided to the Directors upon request.

Induction

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

Independent Professional Advice

For the purposes of discharging their duties and responsibilities, the Board members may obtain independent professional advice at the REIT Manager's expense upon reasonable request. The Company Secretary of the REIT Manager is responsible for making all necessary arrangement.

Insurance

During the year ended 31 December 2015, appropriate directors' and officers' liabilities insurance and professional indemnity insurance have been arranged in respect of legal action against the Directors and officers of the REIT Manager and the provision of professional services by the REIT Manager to the Trust.

Disclosure on Remuneration

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

Pursuant to the announcement of Champion REIT dated 30 November 2012 and according to Clause 11.1.2 of the Trust Deed in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 50% of the Manager's Fee arising from the real estate currently owned by Champion REIT for the financial year 2015 in the form of Units and the remaining 50% in cash. The Manager's Fee for the year ended 31 December 2015 amounted to approximately HK\$214 million, being 12% of the net property income of Champion REIT for such services rendered during the year.

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

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

Delegation

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

Corporate Governance Report

Audit Committee

The REIT Manager established an Audit Committee and adopted the terms of reference in 2006. The written terms of reference of the Audit Committee are available upon request. The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's risk management and internal control systems. 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.

Audit Committee's Principal Responsibilities

The principal duties of the Audit Committee are as follows:

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

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

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

Summary of Major Work Done of the Audit Committee in 2015

During the year 2015, two physical meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee during the year 2015:

- reviewed the Reports of the Internal Auditor;
- reviewed the audited financial statements, the Annual Report and the Final Results Announcement for the year ended 31 December 2014;
- reviewed the unaudited financial statements, the Interim Report and the Interim Results Announcement for the six months ended 30 June 2015;
- reviewed the Reports from the External Auditor;
- considered and recommended to the Board on the re-appointment of External Auditor and approved the terms of engagement;
- reviewed the legal and regulatory compliance matters for the year ended 31 December 2014 and for the six months ended 30 June 2015, which included, among others, the Reports on Connected Party Transactions;
- reviewed and approved the 2015 annual budget/forecasts and annual business plan prepared by the REIT Manager; and
- reviewed the effectiveness of risk management and internal control systems.

Corporate Governance Report

Disclosures Committee

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

Disclosures Committee's Principal Responsibilities

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

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

The members of the Disclosures Committee are appointed by the Board of Directors from among the Directors. It comprises a Non-executive Director (namely, Dr. Lo Ka Shui), an Independent Non-executive Director (namely, Mr. Shek Lai Him, Abraham) and an Executive Director (namely, Mr. Lee Ching Ming, Adrian). Mr. Lee is the Chairman of the Disclosures Committee. With effect from 30 June 2016, Ms. Wong Ka Ki, Ada, will be appointed as a member and the Chairman of the Disclosures Committee of the REIT Manager.

Summary of Major Work Done of the Disclosures Committee in 2015

During the year 2015, two physical meetings of the Disclosures Committee were held. The following is a summary of the major work done of the Disclosures Committee during the year 2015:

- reviewed and approved the 2014 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2014, the payment of Manager's fee in cash and Units and the final distribution;
- reviewed and approved the draft Circular to Unitholders in relation to the General Mandate to Buy-back Units of Champion REIT and the Notice convening the 2015 Annual General Meeting; and
- reviewed and approved the 2015 Interim Report of Champion REIT and announcements in relation to the 2015 interim results, the payment of Manager's fee in cash and Units and the interim distribution.

Board and Board Committee Meetings

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

Proceedings of the Board and Board Committees

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

Corporate Governance Report

The attendance of individual Directors and committee members in 2015 is set out in the table below:

Member	No. of meetings attended/ No. of meetings eligible to attend		
	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting
No. of Meetings held in the year	4	2	2
<i>Non-executive Directors</i>			
Lo Ka Shui (<i>Chairman</i>)	4/4	2/2	2/2
Ho Shut Kan	4/4	–	–
Ip Yuk Keung, Albert	4/4	–	–
Lo Kai Shui	4/4	–	–
Attendance Rate	100%	100%	100%
<i>Executive Director</i>			
Lee Ching Ming, Adrian (<i>Chief Executive Officer</i>)	4/4	–	2/2
Attendance Rate	100%	–	100%
<i>Independent Non-executive Directors</i>			
Cha Mou Sing, Payson	3/4	–	–
Cheng Wai Chee, Christopher	4/4	2/2	–
Shek Lai Him, Abraham	4/4	2/2	2/2
Attendance Rate	92%	100%	100%
Overall Attendance Rate	97%	100%	100%

Company Secretary

The REIT Manager has engaged G. E. Secretaries Limited as its Company Secretary. The primary contact person of the Company Secretary is Ms. Wong Mei Ling, Marina who is a fellow of The Hong Kong Institute of Chartered Secretaries. The Company Secretary of the REIT Manager comprises a team of qualified company secretarial professionals who provide a full range of company secretarial support to the REIT Manager and its Directors. Members of the senior management of the REIT Manager maintain day-to-day contact with the Company Secretary to ensure the Company Secretary has knowledge of the affairs of the Trust. The Company Secretary reports to the Chairman of the Board and the Chief Executive Officer. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Management of Business Risk

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

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team comprises the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Investment Officer, the Chief Operating Officer, the Investment and Investor Relations Director, the Senior Finance and Office Administration Manager, the Compliance Manager and the Internal Audit Manager. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing among the team members. In 2015, eleven meetings were held by the management team.

Whistle-blowing

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

Conflicts of Interests and Business Competition with Great Eagle Holdings Limited

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.

Business Competition

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.

Conflict of Interest

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

Corporate Governance Report

Estate Management Services

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.

Leasing & Marketing

With respect to leasing and marketing functions, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT because the Property Manager provides property management services (including leasing and marketing functions) in respect of Citibank Plaza and Langham Place exclusively 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.

Procedures to deal with Conflicts of Interests

The REIT Manager has instituted various procedures to deal with potential conflicts of interests issues, including but not limited to:

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

Reporting and Transparency

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

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

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the external auditor of Champion REIT amounted to HK\$2,010,000 (2014: HK\$1,940,000) for audit and audit related services, and HK\$580,000 (2014: HK\$560,000) for non-audit services.

General Meetings

Attendance

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The 2015 annual general meeting of Champion REIT was held on 22 May 2015; Dr. Lo Ka Shui, Mr. Lee Ching Ming, Adrian, Mr. Ip Yuk Keung, Albert and Mr. Shek Lai Him, Abraham attended the meeting and the external auditor was also available at the meeting to answer any questions raised by the Unitholders in respect of the audit.

Notice

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

Corporate Governance Report

Quorum

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

Voting

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

Poll Vote

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

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

Proceedings of General Meetings

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

Communication with Unitholders

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

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

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

Corporate Governance Report

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

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

Distribution

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. The effective payout ratio for the year ended 31 December 2015 is 94.5%.

Matters to be decided by Unitholders by Special Resolution

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

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

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

Issue of Further Units

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

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

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

- (a) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (b) Units are issued to a Connected Person under Clause 11.1.1 of the Trust Deed in or towards the satisfaction of the REIT Manager's fees; or
- (c) Units are issued to a Connected Person pursuant to a reinvestment of distribution in accordance with Clause 20.9 under the Trust Deed.

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

Corporate Governance Report

As at 31 December 2015, the total number of issued Units of Champion REIT was 5,771,681,761. As compared with the position of 31 December 2014, a total of 26,829,902 new Units were issued during the year.

Date	Particulars	No. of Units
1 January 2015	Number of issued Units	5,744,851,859
16 March 2015	Issue of new Units 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 approximately HK\$52,779,515 payable by Champion REIT for the six months ended 31 December 2014	14,037,105
25 August 2015	Issue of new Units to the REIT Manager at the price of HK\$4.118 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$52,680,742 payable by Champion REIT for the six months ended 30 June 2015	12,792,797
31 December 2015	Number of issued Units	5,771,681,761

Risk Management and Internal Control Systems

The Board is entrusted with the overall responsibility on an ongoing basis for ensuring that appropriate and effective risk management and internal control systems are established and maintained for the REIT Manager. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are appropriate and effective risk management and internal control systems for the REIT Manager:

- (a) A good control environment including well defined organizational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the REIT Manager;
- (c) Appropriate control activities including clear and written policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives of the REIT;
- (d) Effective information platforms to facilitate internal and external information flow;
- (e) Structured internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit function, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2015.

With adoption of a risk-based approach, Internal Audit takes the lead to evaluate the risk management and internal control systems of the REIT Manager by reviewing all its major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The 2-year audit plan of the internal audit function is approved by the Audit Committee. Internal Audit reports directly to the Audit Committee. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committee for discussion at the Audit Committee meetings. The internal audit reports are also followed up by Internal Audit to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2015 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the REIT Manager has maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2015.

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

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the "Governing Code") governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to this Governing Code, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. The Governing Code also extends to senior executives and officers of the REIT Manager. Specific enquiry has been made with the REIT Manager's Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Governing Code throughout the year ended 31 December 2015.

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

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

Corporate Governance Report

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

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

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 22 May 2015. During the year ended 31 December 2015, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

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 year ended 31 December 2015.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 29 February 2016 is set out below:

As at 29 February 2016	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	66,161,000	0.1012%	S&P BBB-
NANFUN 4 ¹ / ₂ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	9,645,000	0.0147%	S&P BBB-
NANFUN 4 ⁷ / ₈ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	55,949,000	0.0856%	S&P BBB-
NWDEVL 5 ¹ / ₄ 02/26/21	Bond	HKEx	BVI	USD	41,574,000	40,959,000	0.0627%	N/A
PCCW 3 ³ / ₄ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	50,073,000	0.0766%	S&P BBB
Total					224,911,000	222,787,000	0.3408%	

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.

COMPLIANCE WITH COMPLIANCE MANUAL

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

PUBLIC FLOAT

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

REVIEW OF ANNUAL REPORT

The annual report of Champion REIT for the year ended 31 December 2015 has been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2015. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2015 have been audited by the Independent Auditor, Messrs. Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of Champion REIT for the year ended 31 December 2015 is set out in the Independent Auditor's Report.

Connected Party Transactions Report

CONNECTED PARTY TRANSACTIONS REPORT

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

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

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group for the 12 months ended 31 December 2015 ("Year").

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 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 Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	394,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	4,140,000
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	Subsidiary of Great Eagle ²	Leasing transaction ³	4,567,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	4,150,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	5,690,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	50,000
Total			18,991,000⁷

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	537,000
Cordis Hong Kong Limited	Subsidiary of Great Eagle ²	Building management fee income ³	701,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁴	2,254,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁵	735,000
Total			4,227,000⁷

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	692,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	2,825,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	6,056,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	107,863,000 ⁶
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	11,000
Cordis Hong Kong 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	221,000
Total			117,686,000⁷

Connected Party Transactions Report

Notes:

1. Security deposits by way of bank guarantee and cash in an aggregate amount of approximately HK\$1,287,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Year end date.
2. Both Cordis Hong Kong Limited and The Langham, Hong Kong are the wholly owned subsidiary of Langham Hospitality Investments Limited ("Langham") whereby Great Eagle indirectly held approximately 60.70% interests in Langham as at the Year end date. Accordingly, Cordis Hong Kong 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 Cordis Hong Kong Limited was held by the Trust until the termination of tenancy on 31 December 2015.
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 until the termination of tenancy on 15 July 2015.
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 Year end date.
6. Out of this HK\$107,863,000, approximately HK\$104,882,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$2,981,000 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.
7. The annual value of the Connected Party Transactions were within the respective annual limits set out in the following table as approved by the unitholders in the Extraordinary General Meeting held on 10 December 2013:

	Annual Limit for the year ending 31 December 2015 HK\$
I. Revenue	
Rental income	65,363,000
Building management fee	9,629,000
Total:	74,992,000
II. Expenditure	
Estate management transactions	146,352,000

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 Year HK\$
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	104,882,000
CAF Management Agreement (in relation to the common areas/ facilities of Langham Place)	The Great Eagle Properties Management Company, Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	2,981,000

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 Year HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	3,201,000
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	41,993,000
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	78,837,000
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	172,322,000 ⁴

Connected Party Transactions Report

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the Year end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Year end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Citibank Plaza as at the Year end date.
4. Out of this HK\$172,322,000, approximately HK\$128,990,000 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\$214,035,000 being the 12% of the net property income of Champion REIT for such services rendered during the Year is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

The REIT Manager has notified the Trustee in writing and elected to receive 50% of Manager's Fee in the form of Units and the balance of 50% will be received in cash for the Financial Year 2013. 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 twelve-month financial Year ended 31 December 2015, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$107,017,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$107,018,000.

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

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

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

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

Connected Party Transactions - Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	1,176,000
HSBC Group	Trustee Connected Persons	Bank charge	156,000
HSBC ¹	Trustee Connected Persons	Loan interest/expense	24,013,000
Hang Seng ²	Trustee Connected Persons	Loan interest/expense	149,432,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swaps contracts with HSBC during the Year. The total notional amount in respect of such swap contracts with HSBC was US\$400 million as at 31 December 2015. As of the date of this report, the nominal amount of the cross currency swap was amended to US\$386,400,000.

During the Year, 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 31 December 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 31 December 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 31 December 2015 amounted to HK\$9,700 million. Syndicates of lenders of all the facilities include Hang Seng and HSBC.

Connected Party Transactions – Corporate Finance Transaction with HSBC Group

Both the REIT Manager and the Trustee confirm that there was no corporate finance transaction with the HSBC Group during the Year.

Connected Party Transactions - Others

During the Year, the trustee fee of approximately HK\$11,232,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

During the Year, the total amount of approximately HK\$1,525,000 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\$320,000 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.

Connected Party Transactions Report

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

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

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

REPORT FROM AUDITOR OF CHAMPION REIT

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

Hong Kong, 25 February 2016

Note: 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 31 December 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	3,630,338,532	–	3,630,338,532 ¹	62.90
Cheng Wai Chee, Christopher	13,424,730	–	13,424,730 ⁴	0.23
Lee Ching Ming, Adrian	573,250	–	573,250 ⁵	0.00
REIT Manager (also a Substantial Unitholder)				
Eagle Asset Management (CP) Limited	334,659,167	–	334,659,167	5.80
Substantial Unitholders				
Great Eagle Holdings Limited	3,620,132,532	–	3,620,132,532 ²	62.72
HSBC International Trustee Limited	3,578,668,351	–	3,578,668,351 ³	62.00
HKSCC Nominees Limited	2,349,617,875	–	2,349,617,875 ⁶	40.71
Top Domain International Limited	1,420,416,628	–	1,420,416,628	24.61
Keen Flow Investments Limited	920,375,933	–	920,375,933	15.95
Bright Form Investments Limited	680,232,558	–	680,232,558	11.79

Notes:

1. Among these 3,630,338,532 Units:
 - (a) 589,000 Units and 240,000 Units were respectively held by Katherine B L Limited and Elizabeth B K Limited, both of which are wholly-owned by Dr. Lo Ka Shui;
 - (b) 9,377,000 Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee; and
 - (c) 3,620,132,532 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 23.21% voting right in its share capital as at 31 December 2015.

The unitholdings of Dr. Lo Ka Shui increased by 67,446,797 Units and decreased by 3,494,095 underlying Units as compared with the position as at 30 June 2015.

Disclosure of Interests

2. The 3,620,132,532 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 31 December 2015 and 30 June 2015 respectively:

Name	As at 31 December 2015		As at 30 June 2015	
	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	920,375,933	–	913,580,933	–
Bright Form Investments Limited	680,232,558	–	680,232,558	–
Eagle Asset Management (CP) Limited	334,659,167	–	321,866,370	–
Fine Noble Limited	200,007,503	–	155,325,503	–
Great Eagle Nichemusic Limited	61,345,743	–	61,345,743	–
Ecobest Ventures Limited	3,095,000	–	3,095,000	–

3. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 9 September 2015) received from HSBC International Trustee Limited (“HITL”). When compared to the position as at 30 June 2015, the unitholdings of HITL increased by 73,669,122 Units.
- 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 33.54% interests in Great Eagle as at 31 December 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 23.21% voting rights in the capital of Great Eagle as at 31 December 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 30 June 2015.
5. The number of Units held by Mr. Lee Ching Ming, Adrian increased by 300,000 Units as compared with the position as at 30 June 2015.
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 1,924,899 Units when compared to the position as at 30 June 2015.
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 5,771,681,761 as at 31 December 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 31 December 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 31 December 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	2.84
HSBC Group	6,555,338	–	6,555,338 ²	0.11

Notes :

- These Units were directly held by Fortune Mega Investments Limited. Its intermediate holding companies, Julian Holdings Limited, Kerry Properties Limited, Kerry Properties (Hong Kong) Limited and Spring Capital Holdings Limited, were deemed to be interested in the same parcel of Units. Each of them was a connected person by virtue of being an associate of Mr. Ho Shut Kan (a director of the REIT Manager). Their unitholdings remained unchanged as compared with the position as at 30 June 2015.
- 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 1,181,300 Units as compared with the position as at 30 June 2015.
- This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,771,681,761 as at 31 December 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 31 December 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 31 December 2015, Great Eagle owned 62.72% interests in Champion REIT and 60.70% in Langham. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle and Langham as at 31 December 2015 are disclosed as follows:

Great Eagle

Dr. Lo Ka Shui had a personal interest in 56,542,448 shares, 2,844,880 underlying shares and 2,543,000 share options and a corporate interest in 14,562,976 shares of Great Eagle as at 31 December 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 31 December 2015.

Disclosure of Interests

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 31 December 2015. He is also a discretionary beneficiary of a discretionary trust which owned 222,946,147 shares in Great Eagle as at 31 December 2015.

Mr. Lee Ching Ming, Adrian had a personal interest in 50,980 shares and 413,000 share options of Great Eagle as at 31 December 2015.

Mr. Ip Yuk Keung, Albert had a personal interest in 10,000 share options of Great Eagle as at 31 December 2015.

Langham

Dr. Lo Ka Shui had a personal interest in 8,073,500 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 1,240,052,437 share stapled units of Langham held by Great Eagle as at 31 December 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 40,047,500 share stapled units in Langham as at 31 December 2015.

Mr. Lee Ching Ming, Adrian had a personal interest in 10,000 share stapled units of Langham as at 31 December 2015.

Mr. Ip Yuk Keung, Albert had a personal interest in 1,015,000 share stapled units of Langham as at 31 December 2015.

Financials

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Independent Auditor's Report

Deloitte.
德勤

TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST

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

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 112 to 158, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGER'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 February 2016

Consolidated Income Statement

For The Year Ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Rental income	8	2,033,981	2,054,240
Building management fee income		226,639	208,066
Rental related income	9	28,684	25,933
Total revenue		2,289,304	2,288,239
Property operating expenses	10	(505,681)	(487,866)
Net property income		1,783,623	1,800,373
Interest income		9,948	8,209
Manager's fee	11	(214,035)	(216,045)
Trust and other expenses		(14,742)	(16,982)
Increase in fair value of investment properties	17	2,278,528	889,935
Gain on repurchase of medium term notes		2,686	–
Finance costs	12	(332,785)	(322,040)
Profit before tax and distribution to unitholders	13	3,513,223	2,143,450
Income taxes	14	(208,210)	(214,887)
Profit for the year, before distribution to unitholders		3,305,013	1,928,563
Distribution to unitholders		(1,145,913)	(1,170,668)
Profit for the year, after distribution to unitholders		2,159,100	757,895
Basic earnings per unit	15	HK\$0.57	HK\$0.34

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year, after distribution to unitholders	2,159,100	757,895
Other comprehensive (expense) income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Cash flow hedges:		
Fair value adjustments on cross currency swaps designated as cash flow hedge	(70,701)	48,888
Reclassification of fair value adjustments to profit or loss	(842)	(4,214)
	(71,543)	44,674
Total comprehensive income for the year	2,087,557	802,569

Consolidated Statement of Financial Position

As At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Investment properties	17	64,783,000	62,438,000
Note receivables	18	223,204	–
Derivative financial instruments	24	–	3,974
Total non-current assets		65,006,204	62,441,974
CURRENT ASSETS			
Trade and other receivables	19	255,746	184,193
Tax recoverable		9,344	17,015
Bank balances and cash	20	692,920	1,005,090
Total current assets		958,010	1,206,298
Total assets		65,964,214	63,648,272
CURRENT LIABILITIES			
Trade and other payables	21	1,269,770	1,241,780
Deposits received		569,656	542,108
Tax liabilities		26,360	15,380
Distribution payable		595,313	573,614
Secured bank borrowings	22	2,196,927	–
Total current liabilities		4,658,026	2,372,882
NON-CURRENT LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Secured bank borrowings	22	8,699,105	11,513,630
Medium term notes	23	3,609,826	3,070,002
Derivative financial instruments	24	69,821	–
Deferred tax liabilities	25	459,289	416,628
Total non-current liabilities, excluding net assets attributable to unitholders		12,838,041	15,000,260
Total liabilities, excluding net assets attributable to unitholders		17,496,067	17,373,142
Net assets attributable to unitholders		48,468,147	46,275,130
<hr/>			
Number of units in issue ('000)	26	5,771,682	5,744,852
Net asset value per unit	28	HK\$8.40	HK\$8.06

The consolidated financial statements on pages 112 to 158 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT"), on 25 February 2016 and were signed on its behalf by:

Lo Ka Shui
DIRECTOR

Lee Ching Ming, Adrian
DIRECTOR

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For The Year Ended 31 December 2015

	Issued units HK\$'000 (note 26)	Hedging reserve HK\$'000	Others HK\$'000 (note)	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2014	23,824,366	(44,914)	5,757,943	15,826,565	45,363,960
Profit for the year, after distribution to unitholders	–	–	–	757,895	757,895
Cash flow hedges	–	44,674	–	–	44,674
Total comprehensive income for the year	–	44,674	–	757,895	802,569
Issue of units	108,601	–	–	–	108,601
Net assets attributable to unitholders as at 31 December 2014	23,932,967	(240)	5,757,943	16,584,460	46,275,130
Profit for the year, after distribution to unitholders	–	–	–	2,159,100	2,159,100
Cash flow hedges	–	(71,543)	–	–	(71,543)
Total comprehensive income for the year	–	(71,543)	–	2,159,100	2,087,557
Issue of units	105,460	–	–	–	105,460
Net assets attributable to unitholders as at 31 December 2015	24,038,427	(71,783)	5,757,943	18,743,560	48,468,147

Note: "Others" represent

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

Distribution Statement

For The Year Ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
INTERIM DISTRIBUTION PERIOD			
Total distributable income		611,778	663,394
Percentage of distributable income for distribution (note (i))		90%	90%
Total distribution amount for Interim Distribution Period		550,600	597,054
FINAL DISTRIBUTION PERIOD			
Total distributable income	16	1,212,059	1,234,403
Less: distributable income paid in Interim Distribution Period		(550,600)	(597,054)
Distributable income available for Final Distribution Period		661,459	637,349
Percentage of distributable income for distribution (note (i))		90%	90%
Total distribution amount for Final Distribution Period		595,313	573,614
Total distribution amounts for the year		1,145,913	1,170,668
DISTRIBUTIONS PER UNIT TO UNITHOLDERS			
Interim distribution per unit paid (note (ii))		HK\$0.0954	HK\$0.1039
Final distribution per unit to be paid (note (iii))		HK\$0.1031	HK\$0.0996
		HK\$0.1985	HK\$0.2035

Notes:

(i) It is the policy of the Manager to distribute 90% (2014: 90%) of available distributable income as distributions for each of the six month periods ended 30 June (the "Interim Distribution Period") and 31 December (the "Final Distribution Period"). No additional amounts were distributed at the discretion of the Manager for both years.

(ii) The interim distribution per unit of HK\$0.0954 for the Interim Distribution Period in 2015 was calculated based on the interim distribution paid of HK\$550,600,000 for the period and 5,771,681,761 units as of 21 September 2015, which was the record date for the period. The distribution was paid to unitholders on 8 October 2015.

The interim distribution per unit of HK\$0.1039 for the Interim Distribution Period in 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.

(iii) The final distribution per unit of HK\$0.1031 for the Final Distribution Period in 2015 is calculated based on the final distribution to be paid of HK\$595,313,000 for the period and 5,771,681,761 units. Such final distribution will be subject to further adjustments upon the issuance of units between 1 January 2016 and 25 May 2016, which is the record date set for such period. The final distribution will be paid to unitholders on or around 26 May 2016.

The final distribution per unit of HK\$0.0996 for the Final Distribution Period in 2014 was calculated based on the final distribution paid of HK\$573,614,000 for the period and 5,758,888,964 units as of 22 May 2015, which was the record date for the period.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	3,513,223	2,143,450
Adjustments for:		
Increase in fair value of investment properties	(2,278,528)	(889,935)
Gain on repurchase of medium term notes	(2,686)	–
Manager's fee paid and payable in units	107,017	108,022
Interest income	(9,948)	(8,209)
Finance costs	332,785	322,040
Exchange difference	43	(44)
Operating cash flow before movements in working capital	1,661,906	1,675,324
(Increase) decrease in trade and other receivables	(69,194)	892
Increase (decrease) in trade and other payables	28,812	(85,313)
Increase in deposits received	27,548	78,986
Cash generated from operations	1,649,072	1,669,889
Interest paid	(299,267)	(289,141)
Hong Kong Profits Tax paid	(146,898)	(110,472)
Net cash from operating activities	1,202,907	1,270,276
INVESTING ACTIVITIES		
Interest received	9,211	8,476
Additions to investment properties	(66,472)	(39,065)
Additions in note receivables	(224,911)	–
Net cash used in investing activities	(282,172)	(30,589)
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	(101,701)	–
Distribution paid	(1,124,204)	(1,227,684)
Net cash used in financing activities	(1,232,905)	(1,301,034)
Net decrease in cash and cash equivalents	(312,170)	(61,347)
Cash and cash equivalents at beginning of the year	1,005,090	1,066,437
Cash and cash equivalents at end of year, represented by bank balances and cash	692,920	1,005,090

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³

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

² Effective for first time annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 9 “Financial Instruments” (continued)

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 9 “Financial Instruments” (continued)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Champion REIT and the entities controlled by Champion REIT. Control is achieved when Champion REIT:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a controlled entity begins when the Group obtains control over the controlled entity and ceases when the Group loses control of the controlled entity. Specifically, income and expenses of controlled entities acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains controls until the date when the Group ceases to control the controlled entity.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment properties

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

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

Leasing

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

Financial assets

The Group's financial assets are classified as held-to-maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. The Group designated note receivables as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policies on impairment losses on financial assets below).

Loans and receivables

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

The amount of the impairment loss is recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

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

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

Other financial liabilities

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

Effective interest method

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

Unit issue costs

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

Derivative financial instruments and hedging

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Hedge accounting

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

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

Cash flow hedge

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

Amounts previously recognised in other comprehensive income and accumulated in net assets attributable to unitholders (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Revenue recognition

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

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

Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

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

Held-to-maturity investments

The Manager has reviewed the Group's held-to-maturity investments in the light of its working capital and liquidity requirements and confirmed the Group's positive intention and ability to hold those assets to maturity. The aggregate carrying amount of the held-to-maturity investments was HK\$223,204,000 (2014: nil). Details of these assets are set out in note 18.

Deferred taxation on investment properties

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

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

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

In addition, as described in note 24, the fair values of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

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

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
FINANCIAL ASSETS		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	–	3,974
<i>Held-to-maturity investments</i>		
Note receivables	223,204	–
<i>Loans and receivables</i>		
Trade and other receivables	26,304	22,571
Bank balances and cash	692,920	1,005,090
	719,224	1,027,661
FINANCIAL LIABILITIES		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	69,821	–
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	254,715	233,345
Distribution payable	595,313	573,614
Secured bank borrowings	10,896,032	11,513,630
Medium term notes	3,609,826	3,070,002
	15,355,886	15,390,591

(b) Financial risks management objectives and policies

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Currency risk

The Group has certain medium term notes denominated in a foreign currency (i.e. US\$) which expose the Group to foreign currency risk. The Group manages its foreign currency risk by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term notes. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 24 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness. As the Group's foreign currency risk is hedged, no sensitivity analysis has been prepared accordingly.

(ii) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk arises mainly from its variable-rate secured bank borrowings (see note 22 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, note receivables and medium term notes.

The Group manages its interest rate risk for the medium term notes by entering into cross currency swaps to hedge against its exposures to interest rate on certain medium term notes as detailed above.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivatives instruments. For variable-rate term loans and medium term note, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2014: 50) basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit before tax and distribution to unitholders for the year ended 31 December 2015 would decrease/increase by HK\$57,965,000 (2014: HK\$58,000,000). This is mainly attributable to the Group's exposure to interest rates on its secured variable-rate term loans and medium term note which are not hedged and has an aggregate amount of HK\$11,593,000,000 (2014: HK\$11,600,000,000).

(iii) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

(iv) Liquidity and capital risk management

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

The Group has cash and cash equivalents of HK\$692,920,000 as at 31 December 2015 (2014: HK\$1,005,090,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK\$11,250,000,000 (2014: HK\$11,900,000,000), of which HK\$10,950,000,000 (2014: HK\$11,600,000,000) was drawn as at 31 December 2015. The undrawn committed facility in the form of revolving bank loans amounted to HK\$300,000,000 as at 31 December 2015 (2014: HK\$300,000,000). Details of which are set out in note 22.

The Group has established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT. The Group issued an aggregate principal amount of approximately HK\$3,743,000,000 as at 31 December 2015 (2014: HK\$3,100,000,000).

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed facility of HK\$300,000,000 (2014: HK\$300,000,000) and a balance of approximately HK\$4,007,000,000 (2014: HK\$4,650,000,000) under the guaranteed medium term note programme available for issuance, the Manager considered that the liquidity risk of the Group can be reduced.

As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK\$3,700,016,000 (2014: HK\$1,166,584,000). Management reviews the Group's financial position and will negotiate with banks to refinance any existing secured term loan which is due within one year. Management considers that the Group will be able to obtain sufficient financial resources, including term loans, to satisfy its commitments and working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value as required by the Code. As at 31 December 2015, the gearing ratio was 22.1% (2014: 23.1%). The ratio is calculated as total borrowings (principal amounts of secured bank borrowings and medium term notes) divided by total assets of the Group.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables

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

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

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2015							
<i>Non-interest bearing</i>							
Trade and other receivables	–	26,304	–	–	–	26,304	26,304
<i>Variable interest rate</i>							
Bank balances and cash	0.38	692,984	–	–	–	692,984	692,920
<i>Fixed interest rate</i>							
Note receivables	4.95	7,905	10,356	31,067	226,521	275,849	223,204
Total		727,193	10,356	31,067	226,521	995,137	942,428
<i>Non-interest bearing</i>							
Trade and other payables	–	(200,378)	–	–	–	(200,378)	(200,378)
Distribution payable	–	(595,313)	–	–	–	(595,313)	(595,313)
		(795,691)	–	–	–	(795,691)	(795,691)
<i>Variable interest rate instruments</i>							
Secured term loans	1.54	(2,350,654)	(3,802,211)	(5,144,951)	–	(11,297,816)	(10,896,032)
Medium term notes	1.67	(10,729)	(10,729)	(32,187)	(656,238)	(709,883)	(643,000)
		(2,361,383)	(3,812,940)	(5,177,138)	(656,238)	(12,007,699)	(11,539,032)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.75	(112,312)	(112,312)	(336,936)	(3,275,766)	(3,837,326)	(2,966,826)
Total		(3,269,386)	(3,925,252)	(5,514,074)	(3,932,004)	(16,640,716)	(15,301,549)

Notes to the Consolidated Financial Statements

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5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
	interest rate %						
As at 31 December 2014							
<i>Non-interest bearing</i>							
Trade and other receivables	–	22,571	–	–	–	22,571	22,571
<i>Variable interest rate</i>							
Bank balances and cash	0.64	1,005,129	–	–	–	1,005,129	1,005,090
Total		1,027,700	–	–	–	1,027,700	1,027,661
<i>Non-interest bearing</i>							
Trade and other payables	–	(180,565)	–	–	–	(180,565)	(180,565)
Distribution payable	–	(573,614)	–	–	–	(573,614)	(573,614)
		(754,179)	–	–	–	(754,179)	(754,179)
<i>Variable interest rate instruments</i>							
Secured term loans	1.56	(180,931)	(2,363,205)	(9,615,964)	–	(12,160,100)	(11,513,630)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.75	(116,352)	(116,352)	(349,056)	(3,509,952)	(4,091,712)	(3,070,002)
Total		(1,051,462)	(2,479,557)	(9,965,020)	(3,509,952)	(17,005,991)	(15,337,811)

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

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

	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<i>Derivatives – net settlement</i>					
As at 31 December 2015					
Derivative financial instruments	(10,178)	(9,381)	(29,378)	(20,884)	(69,821)
	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<i>Derivatives – net settlement</i>					
As at 31 December 2014					
Derivative financial instruments	88	(350)	782	3,454	3,974

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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6. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial liabilities are measured at fair value at the end of the reporting period.

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2015				
<i>Derivative financial liabilities</i>				
Cross currency swaps	–	(69,821)	–	(69,821)
As at 31 December 2014				
<i>Derivative financial assets</i>				
Cross currency swaps	–	3,974	–	3,974

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

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

Financial (liabilities)/ assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2015 HK\$'000	2014 HK\$'000		
Cross currency swaps classified as derivative financial (liabilities)/assets in the consolidated statement of financial position	(69,821)	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.

7. SEGMENT INFORMATION

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

For the year ended 31 December 2015

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,081,866	348,024	859,414	2,289,304
Segment results – Net property income	820,675	283,434	679,514	1,783,623
Interest income				9,948
Manager's fee				(214,035)
Trust and other expenses				(14,742)
Increase in fair value of investment properties				2,278,528
Gain on repurchase of medium term notes				2,686
Finance costs				(332,785)
Profit before tax and distribution to unitholders				3,513,223
Income taxes				(208,210)
Profit for the year, before distribution to unitholders				3,305,013
Distribution to unitholders				(1,145,913)
Profit for the year, after distribution to unitholders				2,159,100
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	1,200,278	533,000	545,250	2,278,528

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2014

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,171,008	319,879	797,352	2,288,239
Segment results – Net property income	932,169	253,111	615,093	1,800,373
Interest income				8,209
Manager's fee				(216,045)
Trust and other expenses				(16,982)
Increase in fair value of investment properties				889,935
Finance costs				(322,040)
Profit before tax and distribution to unitholders				2,143,450
Income taxes				(214,887)
Profit for the year, before distribution to unitholders				1,928,563
Distribution to unitholders				(1,170,668)
Profit for the year, after distribution to unitholders				757,895
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	(1,607,065)	488,000	2,009,000	889,935

Other segment information

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2015				
Additions to non-current assets	54,722	–	11,750	66,472
For the year ended 31 December 2014				
Additions to non-current assets	39,065	–	–	39,065

7. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2015, the fair value of Citibank Plaza, Langham Place Office Tower and Langham Place Mall was HK\$37,587,000,000 (2014: HK\$36,332,000,000), HK\$8,402,000,000 (2014: HK\$7,869,000,000) and HK\$18,794,000,000 (2014: HK\$18,237,000,000), respectively.

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

Geographical information

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

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

Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the both years ended 31 December 2015 and 2014.

8. RENTAL INCOME

	2015 HK\$'000	2014 HK\$'000
Rental income	1,995,003	2,017,018
Car park income	38,978	37,222
	2,033,981	2,054,240

9. RENTAL RELATED INCOME

	2015 HK\$'000	2014 HK\$'000
Interest income from tenants	538	126
Promotional levy income	9,970	9,958
Surplus on forbearance fee	868	–
Sundry income	17,308	15,849
	28,684	25,933

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10. PROPERTY OPERATING EXPENSES

	2015 HK\$'000	2014 HK\$'000
Building management expenses	267,482	256,060
Car park operating expenses	10,096	12,078
Government rent and rates	66,721	68,277
Legal cost and stamp duty	5,221	6,253
Promotion expenses	23,266	17,564
Property and lease management service fee	60,582	61,683
Property miscellaneous expenses	2,686	2,462
Rental commission	53,020	51,567
Repairs and maintenance	16,607	11,922
	505,681	487,866

11. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2015 and 31 December 2015, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2015 and 31 December 2015 as remuneration.

	2015 HK\$'000	2014 HK\$'000
Manager's fee:		
In the form of units	107,017	108,022
In the form of cash	107,018	108,023
	214,035	216,045

Based on the election on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2015 arising from the properties currently owned by Champion REIT 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% in the form of cash.

12. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Finance costs represent:		
Interest expense on bank borrowings	204,798	200,713
Interest expense on medium term notes	126,487	119,827
Other borrowing costs	1,500	1,500
	332,785	322,040

13. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2015 HK\$'000	2014 HK\$'000
Profit before tax and distribution to unitholders has been arrived at after charging/(crediting):		
Auditors' remuneration	2,010	1,940
Trustee's remuneration	11,232	10,891
Principal valuer's fee	325	301
Other professional fees and charges	1,258	3,800
Roadshow and public relations expenses	94	43
Bank charges	284	223
Exchange difference	43	(44)

14. INCOME TAXES

	2015 HK\$'000	2014 HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	168,678	161,046
– Overprovision in prior years	(3,129)	(12)
	165,549	161,034
Deferred tax (note 25)		
– Current year	42,661	53,853
	208,210	214,887

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

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax and distribution to unitholders	3,513,223	2,143,450
Tax at the domestic income tax rate of 16.5%	579,682	353,669
Tax effect of income not taxable for tax purpose	(377,599)	(148,247)
Tax effect of expenses not deductible for tax purpose	10,484	10,657
Overprovision in prior years	(3,129)	(12)
Utilisation of tax loss previously not recognised	(1,228)	(1,180)
Income taxes for the year	208,210	214,887

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For The Year Ended 31 December 2015

15. BASIC EARNINGS PER UNIT

The calculation of the basic earnings per unit before distribution to unitholders is based on the profit for the period, before distribution to unitholders of HK\$3,305,013,000 (2014: HK\$1,928,563,000) with the weighted average number of units of 5,764,046,315 (2014: 5,735,432,056) in issue during the year, taking into account the units issuable as manager's fee for its service for each of the year ended 31 December 2015 and 2014.

There were no dilutive potential units during the years ended 31 December 2015 and 2014, therefore the diluted earnings per unit has not been presented.

16. TOTAL DISTRIBUTABLE INCOME

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

	2015 HK\$'000	2014 HK\$'000
Profit for the year, before distribution to unitholders	3,305,013	1,928,563
Adjustments:		
Manager's fee paid and payable in units	107,017	108,022
Increase in fair value of investment properties	(2,278,528)	(889,935)
Non-cash finance costs	35,896	33,900
Deferred tax	42,661	53,853
Total distributable income	1,212,059	1,234,403

17. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
FAIR VALUE		
At the beginning of the year	62,438,000	61,509,000
Additions during the year	66,472	39,065
Increase in fair value	2,278,528	889,935
	64,783,000	62,438,000

17. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the Group's investment properties at 31 December 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 Group's property interests held under finance leases, which are located in Hong Kong, are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 December 2015, certain investment properties with total fair value of HK\$44,519,000,000 (2014: HK\$42,746,000,000) have been mortgaged as security for credit facilities as detailed in note 22.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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17. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2015					
Citibank Plaza	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.6% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$4,568 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK\$6,042 million (capitalisation rate of 3.1% for office and 3.75% for retail) respectively.
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,692 million and decrease by approximately HK\$1,698 million, respectively.
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0% for both the retail and office.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$2,983 million (capitalisation rate of 4.5%) and increase by approximately HK\$3,829 million (capitalisation rate of 3.5%) respectively.
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,218 million and decrease by approximately HK\$1,221 million, respectively.

17. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2014					
Citibank Plaza	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.3% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$4,700 million (capitalisation rate of 3.8% for office and 4.75% for retail) and increase by approximately HK\$6,400 million (capitalisation rate of 2.8% for office and 3.75% for retail) respectively.
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,800 million and decrease by approximately HK\$1,800 million, respectively.
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0% for both the retail and office.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$2,800 million (capitalisation rate of 4.5%) and increase by approximately HK\$3,700 million (capitalisation rate of 3.5%) respectively.
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,300 million and decrease by approximately HK\$1,300 million, respectively.

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18. NOTE RECEIVABLES

As at 31 December 2015, the Group held unsecured bonds with aggregate carrying amounts of HK\$223,204,000, 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 February 2021 to May 2024.

19. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	19,225	22,067
Deferred rent receivables	145,236	112,888
Deposits, prepayments and other receivables	91,285	49,238
	255,746	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:

	2015 HK\$'000	2014 HK\$'000
0 – 3 months	19,225	22,067

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$19,225,000 (2014: HK\$22,067,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

20. BANK BALANCES AND CASH

	2015 HK\$'000	2014 HK\$'000
Cash on hand	2	2
Cash at bank	305,918	344,271
Time deposits	387,000	660,817
	692,920	1,005,090

Bank balances carry interest at market rates of 0.001% to 0.31% (2014: 0.001% to 0.31%) per annum. Time deposits have original maturity of less than three months and carry interest at market rates which range from 0.45% to 0.65% (2014: 0.60% to 1.10%) per annum.

21. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables	85,357	64,792
Rental received in advance	25,975	21,182
Other payables and accruals	194,963	192,331
Accrued stamp duty	963,475	963,475
	1,269,770	1,241,780

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

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

	2015 HK\$'000	2014 HK\$'000
0 – 3 months	85,357	64,792

22. SECURED BANK BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Secured bank borrowings	10,950,000	11,600,000
Loan front-end fee	(53,968)	(86,370)
	10,896,032	11,513,630
The maturity of the above secured bank borrowings is as follows:		
Within one year	2,196,927	–
More than one year but not exceeding two years	3,687,045	2,190,677
More than two years but not exceeding five years	5,012,060	9,322,953
	10,896,032	11,513,630
Less: amount due within one year shown under current liabilities	(2,196,927)	–
Amount due after one year	8,699,105	11,513,630

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

22. SECURED BANK BORROWINGS (CONTINUED)

During the year, the Group made a voluntary payment 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 31 December 2015, the outstanding secured banking facilities comprises of an aggregate term loan of HK\$10,950,000,000 (2014: HK\$11,600,000,000). The outstanding secured term loans under the banking facilities bear interests at 1-month HIBOR plus margins ranging from 1.20% to 1.48% and are repayable in full during the period from June 2016 to May 2019. The Group additionally has a HK\$300,000,000 revolving credit facility which remains undrawn.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$44,519,000,000 as at 31 December 2015 (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.

23. MEDIUM TERM NOTES

	2015 HK\$'000	2014 HK\$'000
Medium term notes	3,637,986	3,102,720
Origination fees	(28,160)	(32,718)
	3,609,826	3,070,002

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term notes 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 foreign 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.

During the year, an aggregate principal amount of US\$13,600,000 of the USD MTN was repurchased at a total consideration of HK\$101,701,000 and a gain on repurchase of medium term notes amounting to HK\$2,686,000 has been recognised in the profit and loss. As at 31 December 2015, the outstanding principal of the USD MTN was US\$386,400,000 (2014: US\$400,000,000).

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK\$'000	2014 HK\$'000
Non-current asset		
Cash flow hedge – cross currency swaps	–	3,974
Non-current liability		
Cash flow hedge – cross currency swaps	69,821	–

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

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

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

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

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

During the year, the loss on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$70,701,000 (2014: gain on changes of HK\$48,888,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$842,000 (2014: HK\$4,214,000) 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.

Subsequent to the end of the reporting period, the nominal amount of the cross currency swap was amended to US\$386,400,000.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

25. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2014	381,510	(18,735)	362,775
Charge to consolidated income statement during the year	39,010	14,843	53,853
As at 31 December 2014	420,520	(3,892)	416,628
Charge to consolidated income statement during the year	38,769	3,892	42,661
As at 31 December 2015	459,289	–	459,289

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

As at 31 December 2015, the Group has unutilised tax losses amounting to HK\$506,237,000 available to offset against future profits. No deferred tax asset has been recognised in respect of HK\$506,237,000 due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

As at 31 December 2014, the Group has unutilised tax losses amounting to HK\$537,267,000 available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$23,586,000 of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$513,681,000 due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

26. ISSUED UNITS

	Number of units	HK\$'000
Balance at 1 January 2014	5,713,864,647	23,824,366
Payment of Manager's fee through issuance of new units during the year (note (i))	30,987,212	108,601
Balance at 31 December 2014	5,744,851,859	23,932,967
Payment of Manager's fee through issuance of new units during the year (note (i))	26,829,902	105,460
Balance at 31 December 2015	5,771,681,761	24,038,427

26. ISSUED UNITS (CONTINUED)

Note:

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

Issue date	Payment of the Manager's fees for the period	Issue price per unit determined based on the Trust Deed HK\$	Aggregate issue price HK\$'000	Number of units issued
In 2015				
16 March 2015	1.7.2014 to 31.12.2014	3.760	52,779	14,037,105
25 August 2015	1.1.2015 to 30.6.2015	4.118	52,681	12,792,797
			105,460	26,829,902
In 2014				
11 March 2014	1.7.2013 to 31.12.2013	3.460	53,358	15,421,450
27 August 2014	1.1.2014 to 30.6.2014	3.549	55,243	15,565,762
			108,601	30,987,212

27. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2015, 26,829,902 (2014: 30,987,212) units were issued as payment for the Manager's fee, amounting to HK\$105,460,000 (2014: HK\$108,601,000).

28. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2015 of HK\$48,468,147,000 (2014: HK\$46,275,130,000) by the number of units in issue of 5,771,681,761 as at 31 December 2015 (2014: 5,744,851,859).

29. NET CURRENT LIABILITIES

At 31 December 2015, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$3,700,016,000 (2014: HK\$1,166,584,000).

30. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2015, the Group's total assets less current liabilities amounted to HK\$61,306,188,000 (2014: HK\$61,275,390,000).

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

31. OPERATING LEASE COMMITMENTS

At 31 December 2015, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	2,032,765	1,814,609
In the second to fifth year inclusive	4,304,201	3,165,460
Over five years	487,895	457,017
	6,824,861	5,437,086

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. Contingent rental income of HK\$92,838,000 (2014: HK\$97,010,000) was received for the year.

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

32. CAPITAL COMMITMENT

	2015 HK\$'000	2014 HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	49,923	43,956

33. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2015 HK\$'000	2014 HK\$'000
<i>Rental income</i>			
Langham Hotels International Limited	(a)	–	2,853
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	4,567	4,567
Strong Dynamic Limited	(a)	4,150	7,680
The Great Eagle Properties Management Company, Limited	(a)	5,740	5,740
Eagle Asset Management (CP) Limited	(a)	394	394
Eagle Property Management (CP) Limited	(a)	4,140	3,050
HSBC Group ^{1,4}	(b)	–	1,514

33. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2015 HK\$'000	2014 HK\$'000
<i>Interest income</i>			
HSBC Group ^{1,4}	(b)	1,176	786
<i>Building management fee income</i>			
Strong Dynamic Limited	(a)	2,254	3,851
The Great Eagle Properties Management Company, Limited	(a)	735	687
Langham Hotels International Limited	(a)	–	461
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	701	664
Eagle Property Management (CP) Limited	(a)	537	399
HSBC Group ^{1,4}	(b)	–	243
<i>Building management expenses and car park operating expenses</i>			
The Great Eagle Properties Management Company, Limited	(a)	240,054	221,217
Longworth Management Limited	(a)	41,993	37,459
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(a)	60,582	61,683
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(a)	18,255	32,457
Savills (Hong Kong) Limited ⁴	(c)	1,200	2,540
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(a)	4,946	5,474
Toptech Co. Limited	(a)	3,066	1,358
Keysen Engineering Company, Limited	(a)	223	321
The Great Eagle Properties Management Company, Limited	(a)	11	8
Sun Fook Kong Housing Services Limited	(d)	–	23
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited ⁴	(a)	6,056	6,181
Toptech Co. Limited ⁴	(a)	2,825	–
Keysen Engineering Company, Limited ⁴	(a)	692	447
The Great Eagle Properties Management Company, Limited ⁴	(a)	11	8
Sun Fook Kong Housing Services Limited ⁴	(d)	–	29
<i>Property miscellaneous expenses</i>			
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	11	23
Clever Gain Investment Ltd	(a)	221	188
The Langham, Hong Kong	(a)	7	–

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

33. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2015 HK\$'000	2014 HK\$'000
<i>Trust and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited ⁴	(b)	11,232	10,891
HSBC Group ^{1,4}	(b)	156	85
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(a) & (e)	214,035	216,045
<i>Finance costs</i>			
Hang Seng Bank Limited ^{2,4}	(b)	174,052	159,145
The Hongkong and Shanghai Banking Corporation Limited ⁴	(b)	31,795	36,389
<i>Valuation fee</i>			
Savills Valuation and Professional Services Limited ⁴	(c)	5	301
Knight Frank Petty Limited ⁴	(c)	320	–

Balances with connected and related parties are as follows:

		2015 HK\$'000	2014 HK\$'000
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(a) & (f)	52,557	27,383
Longworth Management Limited	(a) & (f)	15,311	15,311
Toptech Co. Limited	(a) & (f)	–	213
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(a) & (f)	11,521	13,555
Eagle Asset Management (CP) Limited	(a) & (f)	108,673	105,559
The Great Eagle Engineering Company Limited	(a) & (f)	2,166	2,693
The Great Eagle Properties Management Company, Limited	(a) & (f)	25,699	12,849
Keysen Engineering Company, Limited	(a) & (f)	622	539
The Great Eagle Company, Limited	(a) & (f)	–	1
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a) & (f)	–	10
Toptech Co. Limited	(a) & (f)	1,101	–
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
Eagle Property Management (CP) Limited	(a) & (g)	360	–
The Great Eagle Properties Management Company, Limited	(a)	1,408	1,408
Strong Dynamic Limited	(a) & (h)	–	–
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	1,351	1,351

33. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) These companies are the 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 31 December 2015.
- (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 (2014: HK\$927,000) was received in lieu of deposit.
- (h) A bank guarantee of HK\$2,882,000 (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 a 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 31 December 2015, total term loan outstanding under these three facilities is HK\$9,700 million (2014: HK\$9,700 million).

³ As defined in the Code.

⁴ Connected party transactions as defined in the Code.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2015 and 2014.

Name	Issued and fully paid share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	100 shares with no par value	Property investment
CP (A1) Limited	1 share with no par value	Property investment
CP (B1) Limited	1 share with no par value	Property investment
CP (MC) Limited	1 share with no par value	Property investment
CP (PH) Limited	1 share with no par value	Property investment
CP (SH) Limited	1 share with no par value	Property investment
CP (WC) Limited	1 share with no par value	Property investment
CP Finance Limited	1 share with no par value	Financing
CP (Portion A) Limited	2 shares with no par value	Property investment
CP (Portion B) Limited	2 shares with no par value	Property investment
CP Glory Limited	1 share with no par value	Financing
CP Success Limited	1 share with no par value	Financing
CP Wealth Limited	1 share with no par value	Financing
Elegant Wealth Limited	1 share with no par value	Property investment
Maple Court Limited	2 shares with no par value	Property investment
Panhy Limited	2 shares with no par value	Property investment
Renaissance City Development Company Limited	2 shares with no par value	Property investment
Shine Hill Development Limited	1,000,000 shares with no par value	Property investment
Trump Treasure Limited	1 share with no par value	Financing
Well Charm Development Limited	2 shares with no par value	Property investment
Incorporated and operating in the Cayman Islands and indirectly owned and controlled by Champion REIT:		
Champion MTN Limited	1 share of US\$1	Medium term notes issuer
Ernest Limited	100 shares of US\$1 each	Investment holding
Incorporated and operating in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
EAM-Champion REIT Limited*	1 share of US\$1	Securities investment

* This subsidiary commenced their business during the year ended 31 December 2015.

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

Major Real Estate Agents and Contractors

TOP FIVE ESTATE AGENTS

The top five real estate agents and their respective commission paid were given below:

Real estate agents	Nature of service	Commission paid (HK\$)	Relevant cost (%)
Jones Lang LaSalle Limited	Leasing	27,192,000	51.3
Eagle Property Management (CP) Limited	Leasing	18,255,000	34.4
Savills (Hong Kong) Limited	Leasing	3,052,000	5.8
Hong Kong Property (Comm.) Limited	Leasing	2,046,000	3.9
Prime Property Consultants Limited	Leasing	1,034,000	2.0
Total		51,579,000	97.4

TOP FIVE CONTRACTORS

The top five contractors and their respective value of service were given below:

Contractors	Nature of service	Value of contract (HK\$)	Relevant cost (%)
The Great Eagle Properties Management Company, Limited	Building management	283,398,000	66.8
Eagle Property Management (CP) Limited	Property and lease management	60,582,000	14.3
Longworth Management Limited	Building management	41,993,000	9.9
Ngai To Construction Limited	Repair and maintenance	15,889,000	3.8
The Great Eagle Engineering Company Limited	Repair and maintenance	6,056,000	1.4
Total		407,918,000	96.2

Performance Table

	2015	2014	2013	2012	2011
As at 31 December:					
Net asset value (HK\$'000)	48,468,147	46,275,130	45,363,960	44,252,200	38,755,567
Net asset value per unit (HK\$)	8.40	8.06	7.94	7.80	7.82
The highest traded price during the period (HK\$)	4.59	3.83	4.19	3.95	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	3.24	3.29	2.91	2.65
The highest discount of the traded price to net asset value	57.50%	59.80%	58.56%	62.69%	66.11%
For the year ended 31 December:					
The distribution yield per unit ²	5.12%	5.65%	6.12%	5.63%	7.66%
The net profit yield per unit ³	14.76%	9.33%	11.22%	19.77%	44.86%

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\$0.1985 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2015 over the traded price of HK\$3.88 as at 31 December 2015.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2015 over the traded price of HK\$3.88 as at 31 December 2015.

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

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Wanchai
Hong Kong
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