



Champion REIT

冠君產業信託

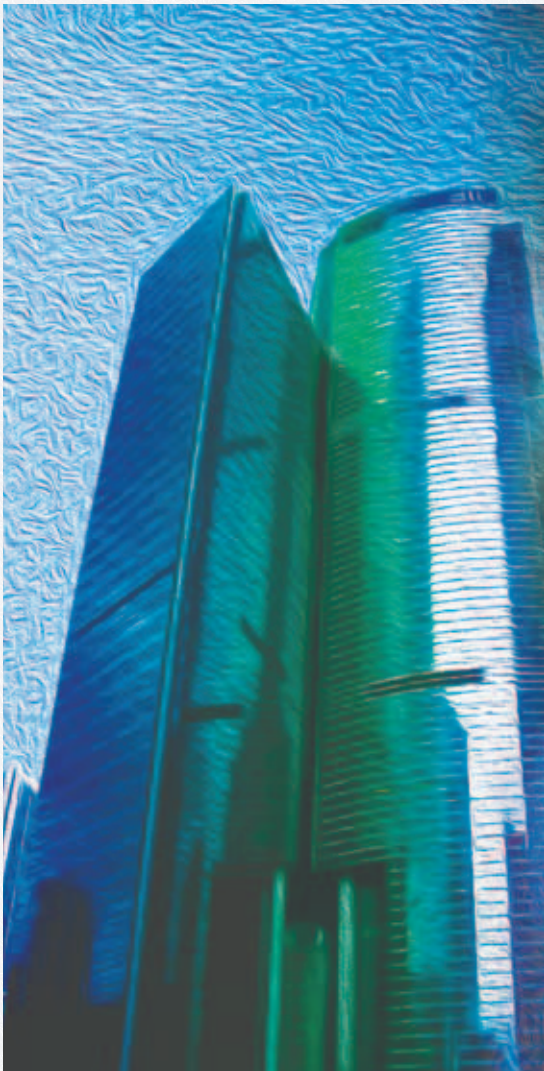


Interim Report 2016 中期報告

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

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, Three Garden Road (formerly known as Citibank Plaza) and Langham Place, one on each side of the Victoria Harbour.



Trust Objectives

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



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Corporate Information

CHAMPION REIT

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

REIT MANAGER

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

BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

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

Executive Director

WONG Ka Ki, Ada (*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

WONG Ka Ki, Ada (*Chairman*)
LO Ka Shui
SHEK Lai Him, Abraham

RESPONSIBLE OFFICERS OF THE REIT MANAGER

WONG Ka Ki, Ada
KWONG Chi Kwong

COMPANY SECRETARY OF THE REIT MANAGER

G. E. Secretaries Limited

PROPERTY MANAGER

Eagle Property Management (CP) Limited

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank, N.A.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISOR

Baker & McKenzie

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Knight Frank Petty Limited

UNIT REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.ChampionReit.com

STOCK CODE

2778

Financial Highlights

	6 Months Ended 30 June 2016 HK\$'million	6 Months Ended 30 June 2015 HK\$'million	% Change
Total Rental Income ¹	1,123	1,001	+ 12.2%
Net Property Operating Expenses ¹	129	123	+ 4.7%
Net Property Income	994	878	+ 13.3%
Profit After Tax	1,884	1,565	+ 20.4%
Distributable Income	705	612	+ 15.2%
Distribution Amount	634	551	+ 15.2%
Distribution per Unit (HK\$)	0.1096	0.0954	+ 14.9%

	As of 30 Jun 2016 HK\$'million	As of 31 Dec 2015 HK\$'million	% Change
Gross Value of Portfolio	66,160	64,783	+ 2.1%
Net Asset Value per Unit (HK\$)	8.62	8.40	+ 2.6%
Gearing Ratio	21.7%	22.1%	- 0.4pp

¹ Building Management Fee Income is directly offset against Building Management Fee Expenses instead of being classified as an income item.

Overview

While the global economy in the first half of 2016 was underscored by uncertainties and volatility, the Trust concluded the Period with solid growth in rental income and distribution per unit (DPU) by 12.2% and 14.9% year-on-year respectively. The key contributing factor is Three Garden Road as it enters the harvesting stage to realise returns from lease commitments established previously.

On 28 June 2016, Citibank Plaza was renamed as Three Garden Road, and the property has undergone an asset enhancement overhaul. Catering to a growing demand for a green and people-oriented working environment, the office complex has quickly morphed into a contemporary, edgy place at the heart of Central. Across the Victoria Harbour, Langham Place Mall, situated in the ever-happening Mongkok, outperformed the market in terms of retail sales amid the downturn of the retail sector and tourism, and maintained a slight growth in rental income.

During the Period, we have completed the refinancing of all the outstanding bank loans to two loan facilities amounting to HK\$11,300.0 million, with overwhelming support from 11 participating banks. The move will serve to counter-balance potential hike in interest rates. With the lengthening in debt maturity, there will be no refinancing risks in the next few years.

Total rental income for the six months ended 30 June 2016 was HK\$1,123.1 million, an increase of 12.2% compared with the same period a year ago. The main driver for the growth came from higher rental income of Three Garden Road, which achieved a higher average occupancy for the Period. The occupancy rate of Three Garden Road further improved to 95.1% as at 30 June 2016.

As the Trust holds a balanced property portfolio, the impact of the weakening retail sector at Langham Place was mitigated. Net property income of the Trust for the Period amounted to HK\$994.4 million, a rise of 13.3%, compared with HK\$878.0 million in the same period in 2015 – primarily on account of the impressive growth of 24.3% from Three Garden Road. Net property operating expenses ratio of the Trust narrowed to 11.5% (2015: 12.3%). Profit after tax was HK\$1,884.1 million for the Period, compared with HK\$1,564.6 million for the same period in 2015. The increase was mainly attributable to the rise in fair value of investment properties of HK\$1,334.5 million for the first half of this year.

Distributable income for the Period delivered a growth of 15.2% to HK\$704.8 million, compared with HK\$611.8 million in 2015, largely due to increase in net property income. DPU, as a result increased by 14.9% to HK\$0.1096 for the Period as compared with HK\$0.0954 in 2015.

The appraised value of the Trust's properties was HK\$66,159.5 million as at 30 June 2016, an increase of 2.1% compared with HK\$64,783.0 million as at 31 December 2015, driven primarily by slightly higher rental rate assumptions.

Net asset value per unit was HK\$8.62 as at 30 June 2016, increased by 2.6% compared with HK\$8.40 as at 31 December 2015. The gearing ratio decreased marginally to 21.7% as at 30 June 2016 from 22.1% as at 31 December 2015.

Operational Review

THREE GARDEN ROAD

	6 Months Ended 30 June 2016 HK\$'000	6 Months Ended 30 June 2015 HK\$'000	% Change
Rental Income	566,967	463,970	+ 22.2%
Net Property Operating Expenses	67,751	62,290	+ 8.8%
Net Property Income	499,216	401,680	+ 24.3%

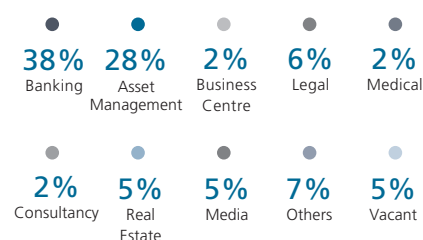
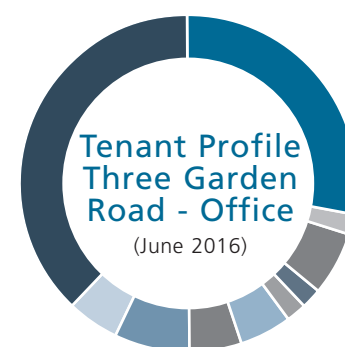
Bolstered by lease commitments of financial services institutions, including international news organizations in 2015, which lifted the average occupancy in the first half of 2016, Three Garden Road achieved a superb rental income growth of 22.2% to HK\$567.0 million for the Period under review (2015: HK\$464.0 million). We also welcomed a couple of Chinese financial institutions to expand their presence at Three Garden Road. In addition to the traditional Grade A office tenants, a new category, co-working space was introduced to the property in the first half of the year, adding to the diversity of the tenant composition. The tenant targets the new breed of corporate "nomads" which prefer a more exclusive yet flexible setting.

Occupancy of Three Garden Road office further improved to 95.1% as at 30 June 2016 from 91.2% as at 31 December 2015 and 83.3% as at 30 June 2015. The passing office rent of the property as at 30 June 2016 attained a moderate growth to HK\$76.59 per sq. ft. (based on lettable floor area) – as compared with HK\$75.39 per sq. ft. as at 31 December 2015.

Central remains a top choice for the financial industry and other related sectors with rental prices staying at a high level in the past six months, notwithstanding the global economic volatility. Despite the widening rental gap between Central and other business districts, Central is still the go-to place for a number of Chinese firms and multinational companies. The latest achieved rents at Three Garden Road have stood above HK\$100 per sq. ft., markedly higher than the existing passing rent.

Branded as a desirable, cutting-edge office complex, the upper and lower lobbies of Three Garden Road have been given a facelift. The renovated office complex is now home to a chic bar area, complete with enhanced outdoor amenities, and is a popular after-hours hangout place for our tenants and other office occupants nearby. The new initiatives will provide seasoned professionals, financiers and bankers alike a holistic working environment.

The improvement in average occupancy has resulted in savings of HK\$6.5 million and HK\$6.9 million in net building management expenses, and repairs and maintenance expenses respectively. Rental commissions, on the other hand, went up by HK\$18.6 million due to higher leasing activities, including an anchor tenant renewed its leases in the first half of the year. Total operating expenses went up 8.8% and net property income recorded a growth of 24.3% to HK\$499.2 million from HK\$401.7 million in 2015.



Operational Review

LANGHAM PLACE OFFICE TOWER

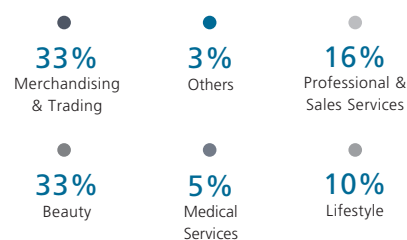
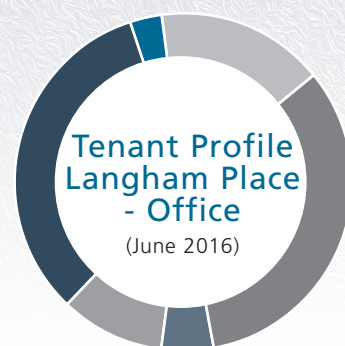
	6 Months Ended 30 June 2016 HK\$'000	6 Months Ended 30 June 2015 HK\$'000	% Change
Rental Income	159,203	152,295	+ 4.5%
Net Property Operating Expenses	14,722	11,140	+ 32.2%
Net Property Income	144,481	141,155	+ 2.4%

Langham Place Office Tower continued to be a sought-after location for the lifestyle, healthcare and beauty segments for expansion and relocation. Medical services operators accounted for 5% of the leasees, representing a growing category of the tenant profile.

Total rental income from Langham Place Office continued to go up with an increase of 4.5% to HK\$159.2 million recorded for the first half of the year, as compared with HK\$152.3 million for the same period last year.

The revenue growth was mainly attributable to positive rental reversion when the office building remained fully occupied. The passing rent has increased to HK\$38.24 per sq. ft. based on gross floor area as at 30 June 2016, from HK\$37.50 per sq. ft. as at 31 December 2015.

Net property income went up 2.4% to HK\$144.5 million for the Period as compared with HK\$141.2 million for the first half of 2015. Increase in tenancy turnover has raised rental commissions by HK\$2.9 million, causing the increase in net property operating expenses from HK\$11.1 million to HK\$14.7 million.



Operational Review

LANGHAM PLACE MALL

	6 Months Ended 30 June 2016 HK\$'000	6 Months Ended 30 June 2015 HK\$'000	% Change
Rental Income	396,898	384,586	+ 3.2%
Net Property Operating Expenses	46,171	49,409	- 6.6%
Net Property Income	350,727	335,177	+ 4.6%

Hong Kong's overall value of retail sales plummeted by 10.5% in the first six months of 2016 compared with the first half of 2015. While the Mall is affected by the downward trend as tenants' sales reporting a decrease of 6.4% in the first half of the year, the overall performance was above the market average.

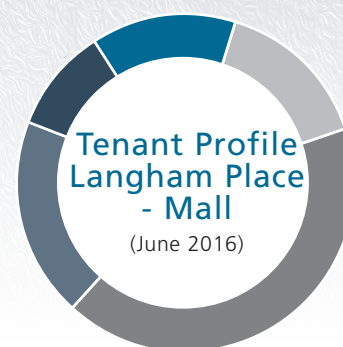
Despite the unfavourable market conditions, the Mall closed the first half of 2016 with a 3.2% rental income growth to HK\$396.9 million, compared with HK\$384.6 million last year, thanks to overall positive rental reversion in base rents. Net operating expenses dropped 6.6% mainly due to lower net building management expenses. Net property income expanded by 4.6% to HK\$350.7 million from HK\$335.2 million in 2015.

For leases expiring in 2016, positive rental reversion in base rent has continued, though the level of reversion was weaker than last year. Passing base rents increased moderately by 1.1% to HK\$176.40 per sq. ft. (based on lettable floor area) as at 30 June 2016 from HK\$174.54 per sq. ft. as at 31 December 2015. Though the turnover rent portion was impacted by the fall in sales of tenants, the growth in base rent portion

outweighed the decline in turnover rent (2016: HK\$34.2 million vs 2015: HK\$41.7 million), hence the overall rental income maintained the growth trajectory in the Period under review.

The retail market has entered a trough period as consumers tighten their purse strings amid the economic downturn. Targeting the mid-end clientele, the Mall has introduced various measures to reinforce its leading position as a trend-setting entertainment and lifestyle hub for teenagers and young adults.

With an array of restaurants, pop-up stores, shops appealing to the foodies, fashionistas, hipsters and the likes, the Mall has continued to enjoy strong support from local shoppers. In partnership with our resident vendors and external parties, we have executed different marketing campaigns to boost mall traffic and sales, such as the sales-driven "Weeknight Out" campaign in spring followed by the recent ice-cream promotion "#SweetSummer", a brand new stage and brand new line-up of live music on L12 launched in July, as well as this summer campaign #HappyMEOWment featuring the celebrity cat Brother Cream.



10%
Health &
Beauty

14%
Others

15%
Entertainment

42%
Fashion &
Accessories

19%
Food &
Beverages

Outlook

Global economic recovery is expected to stall because of stagnation in advanced economies and slowdown in emerging economies. Britain's referendum on Brexit has further dampened the growth sentiment. With a diverse portfolio covering quality, top-notch business and entertainment complexes in the two coveted locations in Hong Kong, the Trust is holding ground despite the adverse operating environment, and should continue to attract promising occupants to our premises.

After a wave of Mainland Chinese financial institutions establishing and expanding their physical presence in Hong Kong's prime business districts, the situation will subside moderately going forward. The lack of new supply of upscale offices in Central should continue to constitute a favourable environment for landlords. New supply of Grade A offices in other emerging districts, such as Kowloon East target a different client segment than that of the Trust, and should only have limited competition for the same tenant base.

With a brand-new, sleek look and single largest floor plate in Central, Three Garden Road will continue to be an enviable location for leading companies in the financial industry. Designed with the aspiration of urban, global-minded professionals in mind, Three Garden Road will re-shape and re-define contemporary, world-class office complexes.

Likewise, Langham Place Office Tower will still be the preferred location in Kowloon for location-sensitive trades, namely beauty, healthcare and lifestyle, notwithstanding new commercial spaces being made available in the alternative areas. The Tower will remain fully tenanted in foreseeable future.

Consumers are becoming more cautious in their spending, and are looking for an experience beyond mere shopping and a past-time, Langham Place Mall, being an iconic mid-end shopping mall, strives to provide a well-curated environment for shoppers in the youthful and robust neighbourhood of Mongkok.

As a shopping complex populated with trendy lifestyle brands, we push ourselves to stay ahead of the game. On the marketing front, a series of campaigns in the pipeline will be rolled out in phases with the goal to broaden the customer base, and to keep shoppers amused and surprised. On the leasing front, we continue to introduce new tenants to keep up the attractiveness. In August, the first LEGO® Store in Hong Kong will be opened in the Mall, bringing yet another sensational, fun dimension to the venue.

In summary we are expecting the harvesting stage of Three Garden Road to sustain in the second half of 2016 as major leases committed in 2015 will have a full-year impact this year, generating a stable income for

the Trust. While the base rent of Langham Place Mall should maintain a slight growth in 2016, the sustainability may be at risk next year in view of the uncertainties and difficulties in the retail market and the general economy. The savings in interest margin as a result of the refinancing arrangement should provide potential upside for the bottom line in the current low-interest rate environment. The Trust will continue to adopt a prudent and disciplined approach in tapping external growth opportunities in the region.

By Order of the Board

Eagle Asset Management (CP) Limited

(as manager of Champion Real Estate Investment Trust)

Lo Ka Shui
Chairman

Hong Kong, 9 August 2016

Valuation of Properties

According to the Property Valuation Reports issued by Knight Frank Petty Limited on 27 July 2016, the valuation of the properties of Champion REIT broken down by usage as at 30 June 2016 is:

Jun 2016 Valuation	Three Garden Road HK\$'million	Langham Place HK\$'million	Sub-total HK\$'million
Office	37,430.0	8,463.0	45,893.0
Retail	587.0	18,280.0	18,867.0
Car Park	493.0	337.5	830.5
Miscellaneous	352.0	217.0	569.0
Total	38,862.0	27,297.5	66,159.5

The Trust's property portfolio was valued at HK\$66,159.5 million as at 30 June 2016, an increase of 2.1% from the December 2015 valuation of HK\$64,783.0 million. The valuation increase was mainly due to higher rental assumptions. The capitalization rate used to value Three Garden Road and Langham Place remained unchanged at 3.6% and 4.0% respectively.

New Name and New Identity – Three Garden Road

The Trust's Grade A office complex in Central, Citibank Plaza was renamed as Three Garden Road on 28 June 2016. At the same time, the name of the former Citibank Tower was changed to Champion Tower. The property has undergone an asset enhancement overhaul and has quickly morphed into a contemporary, edgy place at the heart of Central.





Enhanced Outdoor Ambience

The renovated office complex is now home to a chic bar area, complete with enhanced outdoor amenities including more green elements and more alfresco dining areas. The property is evolving to be a popular after-hours hangout place for our tenants and other office occupants nearby. The new initiatives will provide seasoned professionals, financiers and bankers alike a holistic working environment.



Financial Review

DISTRIBUTIONS

The distribution amount of Champion REIT for the six months ended 30 June 2016 was HK\$634,313,000 (2015: HK\$550,600,000), calculated as 90% of Champion REIT's total available distributable income of HK\$704,792,000 (2015: HK\$611,778,000).

The distribution per unit for the Period was HK\$0.1096. This represents an annualized distribution yield of 5.3% based on the closing price of HK\$4.38 as at 30 June 2016. Such distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2016 and the record date. Further announcement will be made to inform unitholders of the actual interim distribution per unit for the Period.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Thursday, 15 September 2016 to Wednesday, 21 September 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 30 June 2016 ("2016 Interim Distribution") will be made on Thursday, 6 October 2016 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2016 Interim Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-

1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 September 2016.

DEBT PROFILE

During the reporting period, the Trust arranged two loan facilities amounting to HK\$11,300.0 million. The two loan facilities comprise a HK\$5,500.0 million 3-year term loan and revolving credit facilities and a HK\$5,800.0 million term loan facility, with interest margins of 83 basis points and 95 basis points over HIBOR respectively. Proceeds were used to refinance the Trust's total outstanding bank loans of HK\$11,250.0 million. As a result of the significant reduced interest margins, the Trust's effective interest rate was lowered from 2.0% as at 31 December 2015 to 1.7% as at 30 June 2016.

Committed Debt Facilities ^{(1) (3)}

As at 30 June 2016

HK\$ million	Total committed facilities	Undrawn facilities	Utilised facilities	Fixed rate debt	Floating rate debt
Secured Bank Loans	11,300.0	300.0	11,000.0	–	11,000.0
Medium Term Notes	3,641.3	–	3,641.3	2,998.3 ⁽²⁾	643.0
Total	14,941.3	300.0	14,641.3	2,998.3	11,643.0
Percentage	100.0%	2.0%	98.0%	20.5%	79.5%

⁽¹⁾ All amounts are stated at face value.

⁽²⁾ The outstanding principal amount of the notes was US\$386.4 million. The amount presented has taken into account of cross currency swaps which were fully hedged at an average rate of HK\$7.7595 to US\$1.00.

⁽³⁾ All debt facilities were denominated in Hong Kong Dollars except for (2) above.

Financial Review

The liability management exercise also improved the Trust's credit profile. The Trust took advantage of the favourable market window to proactively manage its debt profile and refinance all its outstanding bank loans with maturities between 2016 to 2019. This lengthened the debt maturity and removed all refinancing risks for the next few years. As at 30 June 2016, the average life of the Trust's debt outstanding was 4.6 years (31 December 2015: 3.3 years).

The Trust's investment properties at 30 June 2016 were appraised at a total value of HK\$66,159.5 million, representing a 2.1% increase from HK\$64,783.0 million as at 31 December 2015. Correspondingly, the gearing ratio (or total borrowings as a percentage of gross assets) decreased slightly from 22.1% as at 31 December 2015 to 21.7% as at 30 June 2016. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 26.1% (31 December 2015: 26.5%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$49,849.0 million as at 30 June 2016, an increase of 2.8% compared to HK\$48,468.1 million as at 31 December 2015.

Outstanding Debt Maturity Profile ⁽¹⁾

As at 30 June 2016

	HK\$ million	% of total
Due in year 2019	5,200.0	35.5
Due in year 2021	5,800.0	39.6
Due in year 2022	643.0	4.4
Due in year 2023	2,998.3 ⁽²⁾	20.5
Total	14,641.3	100.0

⁽¹⁾ All amounts are stated at face value.

⁽²⁾ After accounting for cross currency swaps.

The net asset value per unit as at 30 June 2016 was HK\$8.62. It represented a 96.8% premium to the closing unit price of HK\$4.38 as at 30 June 2016.

CASH POSITION

As at 30 June 2016, the Trust had total undrawn bank loan facilities of HK\$300.0 million and a cash balance of HK\$760.5 million. With these financial resources, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

PLEDGE ASSETS

As at 30 June 2016, properties of Champion REIT with a fair value of HK\$38,862.0 million were pledged to secure the debt facilities granted to the Trust. Only Three Garden Road was pledged to secure the Trust's bank loans.

COMMITMENTS

As at 30 June 2016, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the condensed consolidated financial statements amounting to HK\$10.0 million.

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

Biographical Details of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the REIT Manager subsequent to the date of the 2015 Annual Report of the REIT are updated as follow:

Dr. LO Ka Shui

aged 69, was appointed the Chairman, a Non-executive Director and a member of both the Audit Committee and the 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 City e-Solutions Limited, which is listed on The Hong Kong Stock Exchange. He was an Independent Non-executive Director of China Mobile Limited, Shanghai Industrial Holdings Limited and Phoenix Satellite Television Holdings Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority.

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

Mr. HO Shut Kan

aged 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.

Biographical Details of Directors

Mr. IP Yuk Keung, Albert

aged 64, 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, except for New World China Land 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, Hang Seng Management College and University of Macau. He is an Honorary Professor of Lingnan University and a Council Member of Hong Kong University of Science and Technology. 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 is a Member of Legal Aid Services Council and a Member of the Board of Governors of World Green Organisation Limited.

Mr. LO Kai Shui

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.

Biographical Details of Directors

Ms. WONG Ka Ki, Ada

aged 35, was appointed the Chief Executive Officer, an Executive Director and the Chairman of Disclosures Committee of the REIT Manager in June 2016. She is also a Director of all special purpose vehicles of Champion REIT. Ms. Wong, 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. She also oversees the day-to-day operations.

Ms. Wong joined the REIT Manager as Deputy Chief Executive Officer in March 2014. She was also appointed as the Chief Investment Officer of the REIT Manager in July 2015. As Chief Investment Officer, she is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. She is also responsible for the capital structure of Champion REIT, including the planning and overseeing of capital raising activities from the market. Ms. Wong is also a Responsible Officer as defined under the Securities and Futures Ordinance.

Ms. Wong has acquired almost 15 years of finance industry experience. Prior to joining the REIT Manager, Ms. Wong worked at Citigroup & J.P. Morgan's investment banking division to provide strategic advices to a number of blue chip corporates and Hong Kong real estate companies. She has also executed numbers of landmark IPOs, capital markets fund-raising 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. CHA Mou Sing, Payson

aged 74, 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.

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.

Biographical Details of Directors

Mr. CHENG Wai Chee, Christopher

aged 68, has been a Director of the REIT Manager since 2006. He was a Non-executive Director of the REIT Manager prior to his re-designation as an Independent Non-executive Director of the REIT Manager in May 2014. Mr. Cheng is the Chairman of Wing Tai Properties Limited. He is an Independent Non-executive Director of several listed companies, including NWS Holdings Limited, New World China Land Limited and Kingboard Chemical Holdings Limited. He is also a director of Temasek Foundation CLG Limited and an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Cheng plays an active role in public service. He is a member of the Board of Overseers at Columbia Business School, a member of the President's Council on International Activities of Yale University, a steward of The Hong Kong Jockey Club, the former Chairman of the Hong Kong General Chamber of Commerce and a member of Judicial Officers Recommendation Commission of the Government of the HKSAR.

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

Mr. SHEK Lai Him, Abraham

aged 71, 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. 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 Schemes 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.

Corporate Governance

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

The Board of Directors of the REIT Manager plays a central support and supervisory role in the corporate governance duties. It will regularly review the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance in light of the latest statutory regime and international best practices.

AUTHORISATION STRUCTURE AND GOVERNANCE STRUCTURE

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

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Ms. Wong Ka Ki, Ada, the Executive Director, 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 (“Trustee”) is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

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

Pursuant to the Property Management Agreement, Eagle Property Management (CP) Limited (“Property Manager”) provides property management services, lease management services and marketing services for the properties of Champion REIT located in Hong Kong on an exclusive basis subject to the overall management and supervision of the REIT Manager. The Property Manager has a team of well-experienced operational staff exclusively dedicated to providing property management services to Champion REIT.

Corporate Governance

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

The Board of the REIT Manager is responsible for ensuring that the REIT Manager discharges its duties under the Trust Deed, which include but not limited to managing the Trust in accordance with the Trust Deed in the sole interest of the Unitholders, ensuring sufficient oversight of the daily operations and financial conditions of the Trust when managing the Trust, and ensuring compliance with the licensing and authorisation conditions of the REIT Manager and the Trust and with any applicable laws, rules, codes or guidelines issued by government departments, regulatory bodies, exchanges or any other organisations regarding the activities of the Trust or its administration. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to the Board committees. The Board also has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT.

The Board currently comprises 8 members, with 1 Executive Director, 4 Non-executive Directors and 3 Independent Non-executive Directors. The Board of the REIT Manager may establish Board committees with clear terms of reference to review specific issues or items. The two standing Board committees established are the Audit Committee and the Disclosures Committee. With effect from 30 June 2016, Ms. Wong Ka Ki, Ada succeeded Mr. Lee Ching Ming, Adrian as the Chief Executive Officer and Executive Director of the REIT Manager. Ms. Wong was also appointed as a member and the Chairman of the Disclosures Committee of the REIT Manager.

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. The Audit Committee currently comprises 2 Independent Non-executive Directors (namely, Mr. Shek Lai Him, Abraham and Mr. Cheng Wai Chee, Christopher) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Shek is the Chairman of the Audit Committee.

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

Corporate Governance

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 (“GPEM”) are acting as the respective DMC managers, CAF manager and estate manager of Three Garden Road (formerly known as 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 Three Garden Road and Langham Place or other properties.

The Great Eagle Group is one of Hong Kong’s leading property companies; the Group also owns and manages an extensive international hotel portfolio branded under The “Langham” and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, Australasia, North America and Europe. There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things the development, investment in and management of, properties in the residential, office, retail, and hotel sectors in Hong Kong and overseas.

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

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

Corporate Governance

The REIT Manager has instituted various procedures to deal with potential conflicts of interests issues, including but not limited to: (i) in respect of matters in which a Director has an interest, direct or indirect, in any contract or arrangement to which Champion REIT (whether through the REIT Manager or the Trustee) is a party, such interested Director shall disclose his interest to the Board and abstain from voting at a meeting of the Directors at which the relevant matters are to be decided; (ii) the REIT Manager is a dedicated manager to Champion REIT and will not manage any other real estate investment trust or be involved in any other real property business; (iii) the REIT Manager has a team of full-time senior management and employees that operates independently of Great Eagle; and (iv) all connected party transactions are managed in accordance with the requirements set out in the REIT Code, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Champion REIT.

COMPLIANCE

During the six months ended 30 June 2016, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

The REIT Manager has adopted a Code Governing Dealings in Securities by the Management Persons (“Securities Dealings Code”) on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Management Persons include directors, executive officers and the company secretary of the REIT Manager. The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standard set out in the Securities Dealings Code during the six months ended 30 June 2016.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2016 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Connected Party Transactions Report

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

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

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group for the 6 months ended 30 June 2016 ("Period").

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

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

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	197,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	2,186,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ²	2,963,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	25,000
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ³	2,474,000
Total			7,845,000

Connected Party Transactions Report

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	304,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ²	395,000
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ³	410,000
Total			1,109,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	169,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	482,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	45,124,000 ⁴
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	4,000
Cordis Hong Kong Limited	Subsidiary of Great Eagle ⁵	Marketing expense	9,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	127,000
Total			45,915,000

Notes:

- 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 Period end date.
- A security deposit of approximately HK\$1,456,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Period end date.
- Security deposits by way of corporate guarantee and cash in the aggregate amount of HK\$2,214,000 and HK\$2,244,000 respectively provided by Best Come Limited were held by the Trust as at the Period end date.
- Out of this HK\$45,124,000, approximately HK\$43,496,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,628,000 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 2016; so as to enable the Mall Estate Manager to make payment of estate management expenses.
- Cordis Hong Kong Limited is the wholly-owned subsidiary of Langham Hospitality Investments Limited ("Langham") whereby Great Eagle indirectly held approximately 61.71% interests in Langham as at the Period end date. Accordingly, Cordis Hong Kong Limited is the indirect subsidiary of Great Eagle.

Connected Party Transactions Report

PRE-EXISTING AGREEMENTS

The following tables set forth information on the agreements previously entered into with the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group in relation to the management and operation of Three Garden Road (formerly known as "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	Incomes/ Expenses for the Period HK\$
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	43,496,000
CAF Management Agreement (in relation to the common areas/ facilities of Langham Place)	The Great Eagle Properties Management Company, Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	1,628,000

Connected Party Transactions Report

Other Pre-Existing Agreements and other transactions subject to Reporting Requirements under paragraph 8.14 of the REIT Code

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Period HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	1,749,000
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	22,666,000
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	53,967,000
DMC (deed of mutual covenant) for Three Garden Road	The Great Eagle Properties Management Company, Limited (as DMC Sub-manager appointed by the DMC Manager of Three Garden Road)	Subsidiary of Great Eagle	Building management fee expense and contribution ³	129,864,000 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 Period end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Period end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Three Garden Road as at the Period end date.
4. Out of this HK\$129,864,000, approximately HK\$73,150,000 represented the amount of building management fee paid under the DMC for Three Garden Road, approximately HK\$56,714,000 represented the amount of building management fee contribution for (i) public area improvement; and (ii) curtain wall system's perimeter sealant replacement at Three Garden Road.

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\$119,331,000 being the 12% of the net property income of Champion REIT for such services rendered during the Period is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

The REIT Manager has notified the Trustee in writing and elected to receive 50% of Manager's Fee in the form of Units and the balance of 50% will be received in cash for the Financial Year 2013. As no change has been made, according to Clause 11.1.2 of the Trust Deed, the way of receipt of Manager's Fee as to 50% in the form of Units and 50% in cash remains applicable to the financial year 2016. For the six-month financial period ended 30 June 2016, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$59,665,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$59,666,000.

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

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

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

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

Connected Party Transactions Report

Connected Party Transactions – Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	601,000
HSBC Group	Trustee Connected Persons	Bank charge	65,000
HSBC ¹	Trustee Connected Persons	Loan interest/expense	10,512,000
Hang Seng ²	Trustee Connected Persons	Loan interest/expense	161,467,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swaps contracts with HSBC during the Period. The total notional amount in respect of such swap contracts with HSBC was US\$386,400,000 as at 30 June 2016.

Notes:

- HSBC was the lender of the term loan of HK\$1,900 million which was drawn down on 8 July 2013 and repaid on 28 June 2016. Under the said term loan, portion of Three Garden Road was mortgaged to HSBC as security.
- 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 repaid on 28 June 2016; (ii) the term loan facilities of (a) HK\$3,700 million and (b) HK\$3,800 million, which both were drawn down on 26 May 2014 and repaid on 28 June 2016; and (iii) (a) the term loan and revolving credit facilities of HK\$5,500 million; and (b) the term loan facility of HK\$5,800 million, which both were drawn down on 28 June 2016. The total outstanding loans as at 30 June 2016 amounted to HK\$11,000 million. Syndicates of lenders of all the facilities include Hang Seng and HSBC. Under the respective term loans, portion of Three Garden Road and Langham Place were mortgaged to the syndicates of lenders as security. As at 30 June 2016, portion of Three Garden Road is mortgaged to the syndicates of lenders as security.

Connected Party Transactions – Others

During the Period, the trustee fee of approximately HK\$5,762,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

During the Period, the total amount of approximately HK\$165,000 in aggregate were rendered for services to the Trust by Knight Frank Petty Limited (“Knight Frank”) and its connected persons. Among these, approximately HK\$120,000 was the valuation fee incurred for services rendered by Knight Frank in its capacity as the principal valuer of Champion REIT.

Hong Kong, 9 August 2016

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

Disclosure of Interests

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

As at 30 June 2016, 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	Capacity	Nature of Interests	Number of Units/Underlying Units Held ⁶	Total	Percentage of Issued Units ⁷
Directors and Chief Executive of the REIT Manager					
Lo Ka Shui	Interests of Controlled Corporations	Corporate Interests	3,635,148,645 ¹		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	17,000,000	3,652,148,645	63.12
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730 ⁴	13,424,730	0.23
REIT Manager (also a Substantial Unitholder)					
Eagle Asset Management (CP) Limited	Beneficiary	Corporate Interests	348,846,280	348,846,280	6.03
Substantial Unitholders					
Great Eagle Holdings Limited	Interests of Controlled Corporations	Corporate Interests	3,634,319,645	3,634,319,645 ²	62.81
HSBC International Trustee Limited	Trustee	Other Interests	3,578,668,351	3,578,668,351 ³	61.85
HKSCC Nominees Limited	Interests of Controlled Corporations	Other Interests	2,352,656,003	2,352,656,003 ⁵	40.66
Top Domain International Limited	Beneficiary	Corporate Interests	1,420,416,628	1,420,416,628	24.55
Keen Flow Investments Limited	Beneficiary	Corporate Interests	920,375,933	920,375,933	15.91
Bright Form Investments Limited	Beneficiary	Corporate Interests	680,232,558	680,232,558	11.76

Disclosure of Interests

Notes:

1. Among these 3,635,148,645 Units:
 - (a) 240,000 Units and 589,000 Units were respectively held by Elizabeth B K Limited and Katherine B L Limited, both of which are wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
 - (b) 3,634,319,645 Units were indirectly held by Great Eagle Holdings Limited ("Great Eagle") as explained in Note 2 below. Dr. Lo Ka Shui is the Chairman, Managing Director and a substantial shareholder of Great Eagle.

The unitholdings of Dr. Lo Ka Shui increased by 21,810,113 Units as compared with the position as at 31 December 2015.

2. The 3,634,319,645 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table, which shows the number of Units and/or underlying Units held by these companies as at 30 June 2016 and 31 December 2015 respectively:

Name	Capacity	Nature of Interests	As at 30 June 2016 Number of Units/ Underlying Units Held	As at 31 December 2015 Number of Units/ Underlying Units Held
Top Domain International Limited	Beneficiary	Corporate Interests	1,420,416,628	1,420,416,628
Keen Flow Investments Limited	Beneficiary	Corporate Interests	920,375,933	920,375,933
Bright Form Investments Limited	Beneficiary	Corporate Interests	680,232,558	680,232,558
Eagle Asset Management (CP) Limited	Beneficiary	Corporate Interests	348,846,280	334,659,167
Fine Noble Limited	Beneficiary	Corporate Interests	200,007,503	200,007,503
Great Eagle Nichemusic Limited	Beneficiary	Corporate Interests	61,345,743	61,345,743
Ecobest Ventures Limited	Beneficiary	Corporate Interests	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 at 9 September 2015) received from HSBC International Trustee Limited ("HITL"). When compared to the position as at 31 December 2015, the unitholdings of HITL remained unchanged.

HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 33.53% interests in Great Eagle as at 30 June 2016. 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 25.41% voting right in the capital of Great Eagle as at 30 June 2016.

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. 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 3,038,128 Units when compared to the position as at 31 December 2015.
6. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.
7. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,785,868,874 as at 30 June 2016.

Disclosure of Interests

Save as disclosed above, so far as is known to the REIT Manager, none of the Directors and Chief Executive of the REIT Manager and no other persons had any interests (or were deemed to be interested) and short positions in the Units, underlying Units and debentures of Champion REIT as at 30 June 2016 which were required to be notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were required to be recorded in the register kept under Schedule 3 of the Trust Deed.

HOLDINGS OF OTHER CONNECTED PERSONS

As at 30 June 2016, 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	Capacity	Nature of Interests	Number of Units/Underlying Units Held	Total	Percentage of Issued Units ³
Fortune Mega Investments Limited	Interests of Controlled Corporations	Corporate Interests	163,936,151	163,936,151 ¹	2.83
HSBC Group	Interests of Controlled Corporations	Corporate Interests	17,731,855	17,731,855 ²	0.31

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 31 December 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 11,176,517 Units as compared with the position as at 31 December 2015.
- This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,785,868,874 as at 30 June 2016.

Save as disclosed above, the REIT Manager is not aware of any other connected persons (as defined under the REIT Code) of Champion REIT holding any Units and/or underlying Units of Champion REIT as at 30 June 2016.

Disclosure of Interests

HOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OF THE REIT MANAGER IN GREAT EAGLE HOLDINGS LIMITED AND LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

Great Eagle is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited (“Langham”). As at 30 June 2016, Great Eagle owned 62.81% interests in Champion REIT and 61.71% in Langham. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle and Langham as at 30 June 2016 are disclosed as follows:

Great Eagle

Dr. Lo Ka Shui had a personal interest in 40,954,435 shares and 1,310,000 share options and a corporate interest in 71,713,568 shares of Great Eagle as at 30 June 2016. He is the founder of a discretionary trust which owned 59,218,519 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 226,815,595 shares in Great Eagle as at 30 June 2016.

Mr. Lo Kai Shui had a personal interest in 454,898 shares and 500,000 share options and a corporate interest in 569,830 shares of Great Eagle as at 30 June 2016. He is also a discretionary beneficiary of a discretionary trust which owned 226,815,595 shares in Great Eagle as at 30 June 2016.

Mr. Ip Yuk Keung, Albert had a personal interest in 30,000 share options of Great Eagle as at 30 June 2016.

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 1,270,539,789 share stapled units of Langham held by Great Eagle as at 30 June 2016 by virtue of being a substantial shareholder, the Chairman and Managing Director of Great Eagle. He is also a settlor and member of Advisory Committee and Management Committee of a charitable trust which owned 44,000,000 share stapled units in Langham as at 30 June 2016.

Mr. Ip Yuk Keung, Albert had a personal interest in 1,015,000 share stapled units of Langham as at 30 June 2016.

Other Information

NEW UNITS ISSUED

On 11 March 2016, 14,187,113 new Units were issued to the REIT Manager at the price of HK\$3.83 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the manager's fee arising from the real estate owned by Champion REIT of HK\$54,336,646 payable by Champion REIT for the six months ended 31 December 2015.

Except for the above, no new Units were issued during the six months ended 30 June 2016. As at 30 June 2016, the total number of issued Units of Champion REIT was 5,785,868,874.

REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the six months ended 30 June 2016.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 July 2016 is set out below:

As at 31 July 2016	Type	Primary Listing	Country Of Issuer	Currency	Total Cost (HK\$)	Mark-to-market Value (HK\$)	Weighting of GAV	Credit Rating
KERPRO 5 $\frac{7}{8}$ 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296,000	66,602,000	0.1019%	N/A
NANFUN 4 $\frac{1}{2}$ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	10,160,000	0.0155%	S&P BBB-
NANFUN 4 $\frac{7}{8}$ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	58,573,000	0.0896%	S&P BBB-
NWDEVL 5 $\frac{1}{4}$ 02/26/21	Bond	HKEx	BVI	USD	41,574,000	42,609,000	0.0652%	N/A
PCCW 3 $\frac{3}{4}$ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	52,355,000	0.0801%	S&P BBB
Total					224,911,000	230,299,000	0.3523%	

Notes: (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.

Other Information

EMPLOYEES

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

CORPORATE SOCIAL RESPONSIBILITY

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

BUY-BACK, SALE OR REDEMPTION OF UNITS

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 25 May 2016. During the six months ended 30 June 2016, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had bought back, sold or redeemed any Units pursuant to this mandate.

PUBLIC FLOAT

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

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Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

(as Manager of Champion Real Estate Investment Trust)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust (“Champion REIT”) and its controlled entities (collectively referred to as the “Group”) set out on pages 36 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. Eagle Asset Management (CP) Limited (the “Manager” of Champion REIT) is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

9 August 2016

Condensed Consolidated Income Statement

For the six months ended 30 June 2016

	NOTES	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Rental income	5	1,108,786	986,611
Building management fee income		128,692	109,567
Rental related income		14,282	14,240
Total revenue		1,251,760	1,110,418
Property operating expenses	6	(257,336)	(232,406)
Net property income		994,424	878,012
Interest income		6,104	4,450
Manager's fee	7	(119,331)	(105,361)
Trust and other expenses		(12,300)	(7,547)
Increase in fair value of investment properties	14	1,334,490	1,065,102
Gain on repurchase of medium term notes		–	2,273
Finance costs	8	(204,780)	(169,147)
Profit before tax and distribution to unitholders	9	1,998,607	1,667,782
Income taxes	10	(114,547)	(103,161)
Profit for the period, before distribution to unitholders		1,884,060	1,564,621
Distribution to unitholders		(634,313)	(550,600)
Profit for the period, after distribution to unitholders		1,249,747	1,014,021
Basic earnings per unit	13	HK\$0.33	HK\$0.27

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period, after distribution to unitholders	1,249,747	1,014,021
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Fair value adjustments on cross currency swaps designated as cash flow hedge	82,930	(42,319)
Reclassification of fair value adjustments to profit or loss	(6,206)	(4,181)
	76,724	(46,500)
Total comprehensive income for the period	1,326,471	967,521

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	NOTES	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	14	66,159,500	64,783,000
Notes receivables	15	222,344	223,204
Derivative financial instruments	21	9,960	–
Total non-current assets		66,391,804	65,006,204
CURRENT ASSETS			
Trade and other receivables	16	287,051	255,746
Tax recoverable		2,659	9,344
Bank balances and cash	17	760,509	692,920
Total current assets		1,050,219	958,010
Total assets		67,442,023	65,964,214
CURRENT LIABILITIES			
Trade and other payables	18	1,267,048	1,269,770
Deposits received		569,737	569,656
Tax liabilities		94,449	26,360
Distribution payable		634,313	595,313
Secured bank borrowings	19	–	2,196,927
Total current liabilities		2,565,547	4,658,026
NON-CURRENT LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Secured bank borrowings	19	10,914,125	8,699,105
Medium term notes	20	3,614,456	3,609,826
Derivative financial instruments	21	–	69,821
Deferred tax liabilities	22	498,940	459,289
Total non-current liabilities, excluding net assets attributable to unitholders		15,027,521	12,838,041
Total liabilities, excluding net assets attributable to unitholders		17,593,068	17,496,067
Net assets attributable to unitholders		49,848,955	48,468,147
Number of units in issue ('000)	23	5,785,869	5,771,682
Net asset value per unit	24	HK\$8.62	HK\$8.40

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2016

	Issued units HK\$'000 (unaudited)	Hedging reserve HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Profit less distribution HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Net assets attributable to unitholders at 1 January 2015	23,932,967	(240)	5,757,943	16,584,460	46,275,130
Profit for the period, after distribution to unitholders	–	–	–	1,014,021	1,014,021
Cash flow hedges	–	(46,500)	–	–	(46,500)
Total comprehensive income for the period	–	(46,500)	–	1,014,021	967,521
Issue of units (note 23)	52,780	–	–	–	52,780
Net assets attributable to unitholders as at 30 June 2015	23,985,747	(46,740)	5,757,943	17,598,481	47,295,431
Net assets attributable to unitholders at 1 January 2016	24,038,427	(71,783)	5,757,943	18,743,560	48,468,147
Profit for the period, after distribution to unitholders	–	–	–	1,249,747	1,249,747
Cash flow hedges	–	76,724	–	–	76,724
Total comprehensive income for the period	–	76,724	–	1,249,747	1,326,471
Issue of units (note 23)	54,337	–	–	–	54,337
Net assets attributable to unitholders as at 30 June 2016	24,092,764	4,941	5,757,943	19,993,307	49,848,955

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	1,998,607	1,667,782
Adjustments for:		
Increase in fair value of investment properties	(1,334,490)	(1,065,102)
Manager's fee payable in units	59,665	52,680
Interest income	(6,104)	(4,450)
Gain on repurchase of medium term notes	–	(2,273)
Exchange difference	(144)	17
Finance costs	204,780	169,147
Operating cash flow before movements in working capital	922,314	817,801
Increase in trade and other receivables	(31,280)	(33,892)
Decrease in trade and other payables	(7,371)	(909)
Increase (decrease) in deposits received	81	(15,486)
Cash generated from operations	883,744	767,514
Interest paid	(149,761)	(150,333)
Hong Kong Profits Tax (paid) refunded	(122)	66,597
Net cash from operating activities	733,861	683,778
INVESTING ACTIVITIES		
Interest received	7,154	4,494
Additions to investment properties	(42,010)	(19,898)
Additions in notes receivables	–	(224,911)
Net cash used in investing activities	(34,856)	(240,315)
FINANCING ACTIVITIES		
Bank origination fees	(86,050)	–
New bank loan raised	11,000,000	–
Repayment of bank loan	(10,950,000)	(650,000)
Proceeds from issuance of medium term notes	–	643,000
Repurchase of medium term notes	–	(72,944)
Distribution paid	(595,366)	(573,585)
Net cash used in financing activities	(631,416)	(653,529)
Net increase (decrease) in cash and cash equivalents	67,589	(210,066)
Cash and cash equivalents at beginning of the period	692,920	1,005,090
Cash and cash equivalents at end of the period, represented by bank balances and cash	760,509	795,024

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. GENERAL

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

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

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets/ (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2016 HK\$'000	31 December 2015 HK\$'000		
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	9,960	(69,821)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Manager, for the purpose of resource allocation and performance assessment are more specifically focused on the operating results of the three investment properties, namely Three Garden Road (formerly known as Citibank Plaza), Langham Place Office Tower and Langham Place Mall.

Segment revenue and results

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

For the six months ended 30 June 2016

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	636,710	181,933	433,117	1,251,760
Segment results – Net property income	499,216	144,481	350,727	994,424
Interest income				6,104
Manager's fee				(119,331)
Trust and other expenses				(12,300)
Increase in fair value of investment properties				1,334,490
Finance costs				(204,780)
Profit before tax and distribution to unitholders				1,998,607
Income taxes				(114,547)
Profit for the period, before distribution to unitholders				1,884,060
Distribution to unitholders				(634,313)
Profit for the period, after distribution to unitholders				1,249,747
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	1,232,990	61,000	40,500	1,334,490

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the six months ended 30 June 2015

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2016, the fair values of Three Garden Road, Langham Place Office Tower and Langham Place Mall were HK\$38,862,000,000 (31 December 2015: HK\$37,587,000,000), HK\$8,463,000,000 (31 December 2015: HK\$8,402,000,000) and HK\$18,834,500,000 (31 December 2015: HK\$18,794,000,000), respectively.

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

Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the six months ended 30 June 2016.

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

5. RENTAL INCOME

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Rental income	1,087,921	967,640
Car park income	20,865	18,971
	1,108,786	986,611

6. PROPERTY OPERATING EXPENSES

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Building management expenses	141,201	131,387
Car park operating expenses	4,665	4,724
Government rent and rates	32,375	34,812
Legal cost and stamp duty	3,731	1,592
Promotion expenses	6,772	10,366
Property and lease management service fee	32,473	29,535
Property miscellaneous expenses	1,253	1,249
Rental commission	33,951	11,405
Repairs and maintenance	915	7,336
	257,336	232,406

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

7. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2016 and 2015, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2016 and 2015 as remuneration.

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Manager's fee:		
In the form of units	59,665	52,680
In the form of cash	59,666	52,681
	119,331	105,361

Pursuant to election allowed by the Trust Deed on 30 November 2012, the Manager has elected 50% of the Manager's fee for the six months ended 30 June 2016 and 2015 arising from the properties currently owned by Champion REIT to be settled in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% will be received in cash.

8. FINANCE COSTS

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Finance costs represent:		
Interest expense on bank borrowings	139,639	105,678
Interest expense on medium term notes	64,509	62,498
Other borrowing costs	632	971
	204,780	169,147

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

9. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditor's remuneration	1,005	987
Trustee's fee	5,762	5,520
Principal valuer's fee	120	85
Other professional fee and charges	4,604	832
Roadshow and public relations expenses	489	19
Bank charges	255	169
Exchange difference	(144)	17

10. INCOME TAXES

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	74,896	64,049
Deferred tax (note 22)		
– Current year	39,651	39,112
	114,547	103,161

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

11. TOTAL DISTRIBUTABLE INCOME

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

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	1,884,060	1,564,621
Adjustments:		
Manager's fees payable in units	59,665	52,680
Increase in fair value of investment properties	(1,334,490)	(1,065,102)
Non-cash finance costs	55,906	20,467
Deferred tax	39,651	39,112
Total distributable income	704,792	611,778

12. DISTRIBUTION STATEMENT

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Total distributable income (note 11)	704,792	611,778
Percentage of distributable income for distribution (note (i))	90%	90%
Total distribution amount to be paid	634,313	550,600
Distribution per unit to unitholders (note (ii))	HK\$0.1096	HK\$0.0954

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2015: 90%) of available distributable income as the distributions for the six months ended 30 June 2016 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1096 for the six months ended 30 June 2016 is calculated based on the interim distribution to be paid of HK\$634,313,000 for the period and 5,785,868,874 units in issue as at 30 June 2016. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 21 September 2016, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 6 October 2016.

The interim distribution per unit of HK\$0.0954 for the six months ended 30 June 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 interim distribution was paid to unitholders on 8 October 2015.

13. BASIC EARNINGS PER UNIT

The basic earnings per unit during the six months ended 30 June 2016 is calculated by dividing the profit for the period, before distribution to unitholders of HK\$1,884,060,000 (2015: HK\$1,564,621,000) with the weighted average number of units of 5,787,261,043 (2015: 5,759,367,383) in issue during the period, taking into account the units issuable as manager's fee for its service for each of the six months ended 30 June 2016 and 2015.

There were no diluted potential units during the six months ended 30 June 2016 and 2015, therefore the diluted earnings per unit has not been presented.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

14. INVESTMENT PROPERTIES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	64,783,000	62,438,000
Additions during the period/year	42,010	66,472
Increase in fair value during the period/year	1,334,490	2,278,528
At the end of the period/year	66,159,500	64,783,000

The fair value of the Group's investment properties at 30 June 2016 and 31 December 2015 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The capitalisation rates for the retail and office accommodation range from 4.0% to 4.25% (31 December 2015: 4.0% to 4.25%) and 3.6% to 4.0% (31 December 2015: 3.6% to 4.0%), respectively.

The fair value of the Group's investment properties as at 31 December 2015 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety. Level 3 inputs are unobservable inputs for the asset or liability.

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

As at 30 June 2016, certain investment properties with total fair value of HK\$38,862,000,000 (31 December 2015: HK\$44,519,000,000) have been mortgaged as security for credit facilities as detailed in note 19.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

15. NOTES RECEIVABLE

As at 30 June 2016, the Group held unsecured bonds with aggregate carrying amounts of HK\$222,344,000 (31 December 2015: 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% (31 December 2015: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (31 December 2015: February 2021 to May 2024).

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Trade receivables	5,196	19,225
Deferred rent receivables	180,358	145,236
Deposits, prepayments and other receivables	101,497	91,285
	287,051	255,746

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

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0 – 3 months	5,196	19,225

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$5,196,000 (31 December 2015: HK\$19,225,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. BANK BALANCES AND CASH

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Cash on hand	2	2
Cash at bank	454,439	305,918
Time deposits	306,068	387,000
	760,509	692,920

Bank balances carry interest at market rate of 0.001% to 0.31% per annum (31 December 2015: 0.001% to 0.31% per annum). Time deposits with a maturity of less than three months carry interest at market rates which range from 0.45% to 0.80% per annum (31 December 2015: 0.45% to 0.65% per annum).

18. TRADE AND OTHER PAYABLES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Trade payables	63,365	85,357
Rental received in advance	27,825	25,975
Other payables	212,383	194,963
Accrued stamp duty	963,475	963,475
	1,267,048	1,269,770

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2015: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road upon listing.

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0 – 3 months	63,365	85,357

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. SECURED BANK BORROWINGS

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Secured bank borrowings	11,000,000	10,950,000
Loan front-end fees	(85,875)	(53,968)
	10,914,125	10,896,032

The maturity of the secured bank borrowings is as follows:

Within one year	–	2,196,927
More than one year but not exceeding two years	–	3,687,045
More than two years but not exceeding five years	10,914,125	5,012,060
	10,914,125	10,896,032
Less: amount due within one year shown under current liabilities	–	(2,196,927)
Amount due after one year	10,914,125	8,699,105

During the period, the Group made arrangements for (i) a term loan and revolving credit facilities of HK\$5,500,000,000 and (ii) a term loan facility of HK\$5,800,000,000 for the purpose of refinancing and voluntary payments of the Group's outstanding secured term loans amounting to HK\$10,950,000,000.

As at 30 June 2016, the outstanding secured bank borrowings comprise the following:

- (i) HK\$5,200,000,000 secured term loan bears interest at a floating rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.83% per annum and is repayable in full in June 2019.
- (ii) HK\$5,800,000,000 secured term loan bears interest at a floating interest rate of HIBOR plus 0.95% per annum and is repayable in full in June 2021.

As at 31 December 2015, the outstanding secured banking facilities comprised of an aggregate term loan of HK\$10,950,000,000. The outstanding secured term loans under the banking facilities bear interests at HIBOR plus margins ranging from 1.20% to 1.48% and were repayable in full during the period from June 2016 to May 2019. Additionally, the Group had an undrawn revolving credit facility of HK\$300,000,000.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$38,862,000,000 as at 30 June 2016 (31 December 2015: HK\$44,519,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the banks.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

20. MEDIUM TERM NOTES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Medium term notes	3,640,884	3,637,986
Origination fees	(26,428)	(28,160)
	3,614,456	3,609,826

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.

As at 30 June 2016, the outstanding medium term notes comprised of the following:

- (i) 10-year unsecured notes at a fixed rate of 3.75% per annum with principal of US\$386,400,000 (31 December 2015: US\$386,400,000) (the "USD MTN"). The issued medium term note is repayable in full on 17 January 2023. The currency rate and interest rate are fixed by the use of cross currency swaps.
- (ii) 7-year unsecured notes at a floating rate of 3-month HIBOR plus 1.275% per annum with principal of HK\$643,000,000 (31 December 2015: HK\$643,000,000). The issued medium term note is repayable in full on 26 March 2022.

In June 2015, a principal amount of US\$9,800,000 of the USD MTN was repurchased at a consideration of HK\$72,944,000 and a gain on repurchase of medium term notes amounting to HK\$2,273,000 had been recognised in the profit or loss.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Non-current asset		
Cash flow hedge – cross currency swaps	9,960	–
Non-current liability		
Cash flow hedge – cross currency swaps	–	69,821

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

As at 30 June 2016, 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\$36,400,000 (31 December 2015: US\$50,000,000)	17 January 2023	HK\$7.7541: US\$1	3.75%	Quarterly	Medium term note principal and coupon payments

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

During the six months ended 30 June 2016, the nominal amount of the cross currency swap was amended from US\$400,000,000 to US\$386,400,000.

During the six months ended 30 June 2016, the gain on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$82,930,000 (six months ended 30 June 2015: loss on changes of HK\$42,319,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$6,206,000 (six months ended 30 June 2015: HK\$4,181,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon payment.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000
At the beginning of the period	459,289
Charge to condensed consolidated income statement during the period	39,651
At the end of the period	498,940

23. NUMBER OF UNITS IN ISSUE

	Number of units	HK\$'000 (unaudited)
At 1 January 2016	5,771,681,761	24,038,427
Units issued for settlement of Manager's fee	14,187,113	54,337
At 30 June 2016	5,785,868,874	24,092,764

On 11 March 2016, 14,187,113 units at HK\$3.83 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2015 to 31 December 2015.

24. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2016 of HK\$49,848,955,000 (31 December 2015: HK\$48,468,147,000) by the number of units in issue of 5,785,868,874 units as at 30 June 2016 (31 December 2015: 5,771,681,761 units).

25. NET CURRENT LIABILITIES

At 30 June 2016, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$1,515,328,000 (31 December 2015: HK\$3,700,016,000).

26. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2016, the Group's total assets less current liabilities amounted to HK\$64,876,476,000 (31 December 2015: HK\$61,306,188,000).

27. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2016, 14,187,113 units (six months ended 30 June 2015: 14,037,105 units) were issued as payment for the Manager's fee for the period from 1 July 2015 to 31 December 2015, amounting to HK\$54,337,000 (six months ended 30 June 2015: HK\$52,780,000).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

28. OPERATING LEASES

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Within one year	2,108,656	2,032,765
In the second to fifth year inclusive	4,084,277	4,304,201
Over five years	368,476	487,895
	6,561,409	6,824,861

The properties held had committed leases usually running for two to six years and rentals were predetermined at fixed amounts except for certain leases of which contingent rentals were charged based on the percentage of sales of the tenants. Contingent rental income of HK\$34,232,000 (six months ended 30 June 2015: HK\$41,963,000) was received for the period.

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

29. CAPITAL COMMITMENT

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the condensed consolidated financial statements	10,000	49,923

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

30. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Rental income			
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	–	2,283
Strong Dynamic Limited	(a)	–	3,840
The Great Eagle Properties Management Company, Limited	(a)	2,988	2,870
Eagle Asset Management (CP) Limited	(a)	197	197
Eagle Property Management (CP) Limited	(a)	2,186	1,954
Best Come Limited	(a)	2,474	–
Interest income			
HSBC Group ^{1,4}	(b)	601	576
Building management fee income			
Strong Dynamic Limited	(a)	–	2,086
The Great Eagle Properties Management Company, Limited	(a)	395	367
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	–	350
Eagle Property Management (CP) Limited	(a)	304	255
Best Come Limited	(a)	410	–
Building management expenses and car park operating expenses			
The Great Eagle Properties Management Company, Limited	(a)	120,023	111,862
Longworth Management Limited	(a)	22,666	20,996
Property and lease management service fee			
Eagle Property Management (CP) Limited	(a)	32,390	29,535
Rental commission			
Eagle Property Management (CP) Limited	(a)	21,577	5,474
Savills (Hong Kong) Limited ⁴	(c)	–	1,200
Knight Frank Petty Limited ⁴	(c)	45	–

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(a)	472	3,958
Keysen Engineering Company, Limited	(a)	174	221
The Great Eagle Properties Management Company, Limited	(a)	4	5
Repairs and maintenance and renovations contracted to			
The Great Eagle Engineering Company Limited ⁴	(a)	482	4,077
Keysen Engineering Company, Limited ⁴	(a)	169	282
The Great Eagle Properties Management Company, Limited ⁴	(a)	4	5
Property miscellaneous expenses			
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	9	11
Clever Gain Investment Limited	(a)	127	108
Keysen Engineering Company, Limited	(a)	–	14
The Langham, Hong Kong	(a)	–	7
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited ⁴	(b)	5,762	5,520
HSBC Group ^{1,4}	(b)	65	88
Manager's fee			
Eagle Asset Management (CP) Limited	(a) & (d)	119,331	105,361
Finance costs			
Hang Seng Bank Limited ^{2,4}	(b)	122,832	86,559
The Hongkong and Shanghai Banking Corporation Limited ⁴	(b)	17,439	19,640
Valuation fee			
Savills Valuation and Professional Services Limited ⁴	(c)	–	5
Knight Frank Petty Limited ⁴	(c)	120	85

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Amount due from			
The Great Eagle Properties Management Company, Limited	(a) & (e)	60,883	52,557
Longworth Management Limited	(a) & (e)	15,311	15,311
Toptech Co. Limited	(a) & (e)	3,361	–
Amount due to			
Eagle Property Management (CP) Limited	(a) & (e)	26,047	11,521
Eagle Asset Management (CP) Limited	(a) & (e)	119,331	108,673
The Great Eagle Engineering Company Limited	(a) & (e)	137	2,166
The Great Eagle Properties Management Company, Limited	(a) & (e)	6,392	25,699
Keysen Engineering Company, Limited	(a) & (e)	484	622
Toptech Co. Limited	(a) & (e)	–	1,101
Deposits placed with the Group for the lease of the Group's properties			
Eagle Property Management (CP) Limited	(a) & (f)	360	360
The Great Eagle Properties Management Company, Limited	(a)	1,456	1,408
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	(a)	–	1,351
Best Come Limited	(a)	2,244	–
Strong Dynamic Limited	(a) & (g)	–	–

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) These companies are subsidiaries directly or indirectly held by Great Eagle Holdings Limited, 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) 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 2016 and 30 June 2015.
- (e) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (f) A bank guarantee of HK\$927,000 (31 December 2015: HK\$927,000) was received in lieu of deposit.
- (g) A bank guarantee of HK\$2,882,000 was received in lieu of deposit as at 31 December 2015.

¹ HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.

² On 28 June 2016, term loan facilities of HK\$1,900 million, HK\$3,700 million and HK\$3,800 million, together with the term loan and revolving credit facilities of HK\$2,500 million were refinanced by (i) term loan and revolving credit facilities of HK\$5,500 million and (ii) a term loan facility of HK\$5,800 million with an upfront payment of HK\$28,050,000 and HK\$58,000,000, respectively. Hang Seng Bank Limited is the facility agent under the new banking facilities.

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 30 June 2016, total term loan outstanding under the abovementioned facilities is HK\$11,000 million (31 December 2015: HK\$9,700 million).

³ As defined in the Code.

⁴ Connected party transactions as defined in the Code.

Investment Properties Portfolio

As at 30 June 2016

Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Three Garden Road	3 Garden Road, Central, Hong Kong	1992	1,638,000	1,268,000	95.1%	38,862.0
Langham Place Office Tower	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	703,000	703,000	100.0%	8,463.0
Langham Place Mall	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	18,834.5

Performance Table

	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)	2013 (unaudited)	2012 (unaudited)
As at 30 June:					
Net asset value (HK\$'000)	49,848,955	47,295,431	44,987,316	45,341,772	39,502,273
Net asset value per unit (HK\$)	8.62	8.21	7.85	7.96	7.94
The highest traded price during the period (HK\$)	4.38	4.59	3.83	4.19	3.53
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\$)	3.35	3.57	3.25	3.29	2.90
The highest discount of the traded price to net asset value	61.14%	56.52%	58.60%	58.67%	63.48%
For the six months ended 30 June:					
Distribution yield per unit ²	2.50%	2.24%	2.89%	2.80%	3.17%
Annualized distribution yield per unit	5.28%	4.73%	6.09%	5.92%	6.70%
Net profit yield per unit ³	7.43%	6.38%	0.72%	7.74%	7.93%
Annualized net profit yield per unit	14.86%	12.76%	1.44%	15.48%	15.86%

Notes:

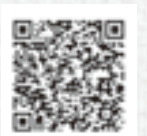
1. The highest traded price is lower than the net asset value per unit. Accordingly, no premium of the traded price to net asset value is presented.
2. Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1096 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2016 over the traded price of HK\$4.38 as at 30 June 2016.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the six months ended 30 June 2016 over the traded price of HK\$4.38 as at 30 June 2016.



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