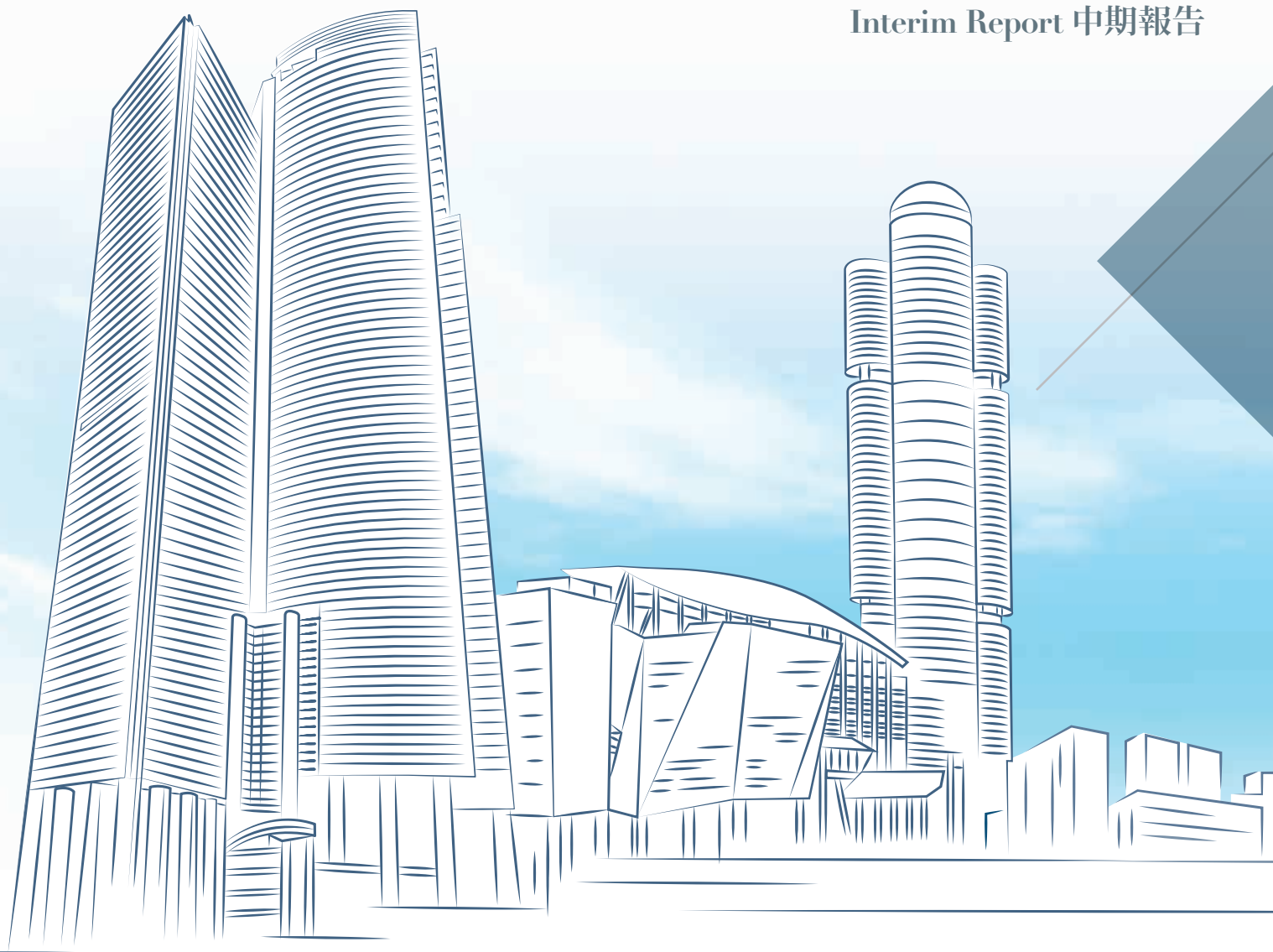


ChampionREIT
冠君產業信託

2017

Interim Report 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 REIT 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*)
IP Yuk Keung, Albert
LO Kai Shui

Executive Director

WONG Ka Ki, Ada (*Chief Executive Officer
and Chief Investment Officer*)

Independent Non-executive Directors

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

AUDIT COMMITTEE OF THE REIT MANAGER

SHEK Lai Him, Abraham (*Chairman*)
CHENG Wai Chee, Christopher
HO Shut Kan
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
LAU Yee Tong, Yvonne

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 2017 HK\$'million	6 Months Ended 30 June 2016 HK\$'million	Change
Total Rental Income ¹	1,183	1,123	+ 5.3%
Net Property Operating Expenses ¹	118	129	- 7.9%
Net Property Income	1,064	994	+ 7.0%
Profit After Tax	4,601	1,884	+ 144.2%
Distributable Income	758	705	+ 7.5%
Distribution Amount	682	634	+ 7.5%
Distribution per Unit (HK\$)	0.1173	0.1094	+ 7.2%

	As of 30 June 2017 HK\$'million	As of 31 December 2016 HK\$'million	Change
Gross Value of Portfolio	70,806	66,842	+ 5.9%
Net Asset Value per Unit (HK\$)	9.36	8.72	+ 7.3%
Gearing Ratio	20.5%	21.7%	- 1.2pp

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

Overview

The first half of 2017 saw a continuation of favourable market conditions for office supply, while the Hong Kong retail market remained challenging although there were signs the bottom of the cycle may have been reached. For the six months ended 30 June 2017, the Trust's total rental income was HK\$1,183 million, which was an increase of 5.3% compared with HK\$1,123 million for the same period last year. All of the properties in the Trust's portfolio continued to achieve rental income growth. Distributable income and distribution per unit increased by 7.5% and 7.2% respectively to HK\$758 million (2016: HK\$705 million) and HK\$0.1173 (2016: HK\$0.1094) respectively.

The stable growth in the Trust's rental income was driven mainly by positive rental reversion of the office portfolio, while the performance of Langham Place Mall was affected by the escalator incident on 25 March 2017. The net property operating expenses ratio dropped from 11.5% to 10.0%. This was due to lower rental commissions as a result of reduced tenancy turnover. The growth in rental income, together with savings in net property operating expenses, led the 7.0% increase in net property income to HK\$1,064 million, compared with HK\$994 million in the first half of 2016. Profit for the period increased to HK\$4.6 billion, compared with HK\$1.9

billion for the same period last year. This was due mainly to an increase in the fair value of investment properties of HK\$4.0 billion during the reporting period.

The Trust has taken a proactive approach to liability management. In order to mitigate a potential interest rate hike, the Trust has significantly increased its proportion of fixed rate debt to a current level of 50.0%, up from 21.5% as at 31 December 2016. A total of HK\$3,450 million of floating rate loan has been swapped into fixed rate by entering into interest rate swaps at an average interest rate of 1.55%. In addition, the Trust has also issued fixed rate notes for a total principal amount of HK\$775 million through private placements under the Medium Term Note Programme to secure more long-term debt. The proceeds of the private placements were used to partially repay floating-rate loan. Due to the higher fixed rate debt portion and an increase in HIBOR, the cash finance cost increased 2.0% to HK\$152 million.

The appraised value of the Trust's properties was HK\$70.8 billion as at 30 June 2017, an increase of 5.9% compared with HK\$66.8 billion as at 31 December 2016. This increase was driven primarily by higher rental rate assumptions. Net asset value per unit was HK\$9.36 as at 30 June 2017, which was an increase of 7.3%

compared with HK\$8.72 as at 31 December 2016. The gearing ratio decreased to 20.5% as at 30 June 2017 from 21.7% as at 31 December 2016.

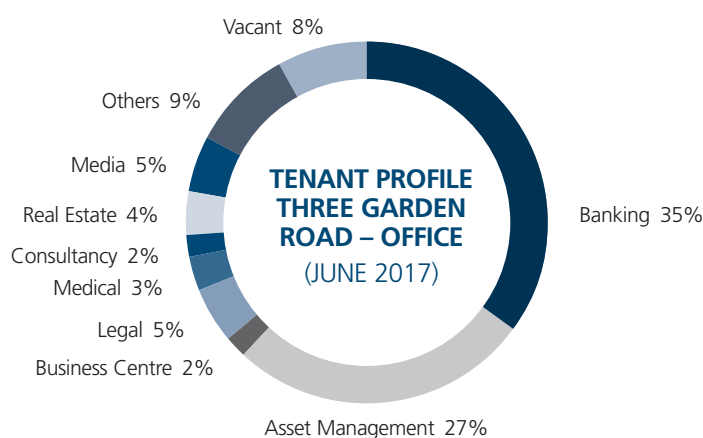
In view of the favourable commercial property market conditions, the REIT Manager has appointed Savills (Hong Kong) Limited to explore the possibility of disposing of the Trust's interest in Langham Place Office Tower. The contemplated disposal could unlock the hidden value of property for the benefit of the Trust and all of its Unitholders.

Operational Review

THREE GARDEN ROAD

	6 Months Ended 30 June 2017 HK\$'000	6 Months Ended 30 June 2016 HK\$'000	Change
Rental Income	595,806	566,967	+ 5.1%
Net Property Operating Expenses	59,014	67,751	- 12.9%
Net Property Income	536,792	499,216	+ 7.5%

During the period under review, Three Garden Road continued to benefit from the current tight supply and low vacancy situation in Central. The tendering of the Murray Road carpark redevelopment site in Central earlier this year carries no immediate impact for Central's rental market as it will add only marginal supply to the area's office stock in the distant future. Tenant demand in the area remained dominated and driven by Chinese financial institutions which prefer prestigious Central office locations.



Positive rental reversion continued at Three Garden Road in the first half of 2017, driving up rental income of the property to HK\$596 million, an increase of 5.1% compared with HK\$567 million in the first half of 2016. Passing rents as at 30 June 2017 increased to HK\$84.65 per lettable sq. ft., compared with HK\$78.20 per lettable sq. ft. as at 31 December 2016. Latest achieved rents have been staying at above HK\$100 per sq. ft. for both rent review and renewal cases.

Rental income growth momentum has slowed, primarily through lower average occupancy at the property. Following an anchor tenant downsizing their presence, occupancy of Three Garden Road office dropped to 92.4% as at 30 June 2017 compared with 95.9% as at 31 December 2016.

Net property operating expenses savings were driven by a HK\$12 million reduction in rental commissions resulting from lower tenancy turnover. Net property income increased by 7.5% to HK\$537 million, compared with HK\$499 million in the first half of 2016.

Operational Review

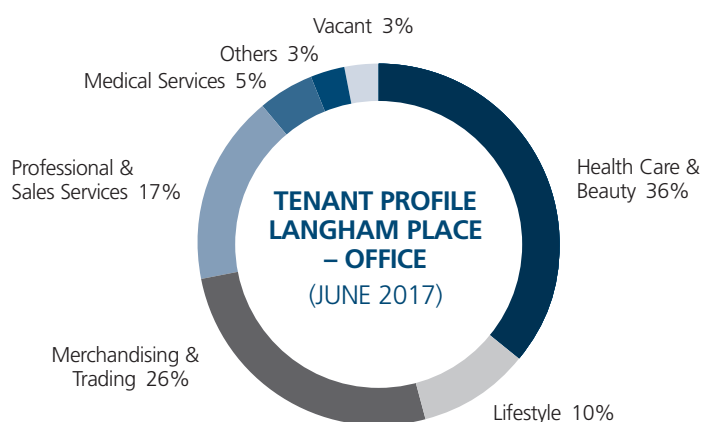
LANGHAM PLACE OFFICE TOWER

	6 Months Ended 30 June 2017 HK\$'000	6 Months Ended 30 June 2016 HK\$'000	Change
Rental Income	174,996	159,203	+ 9.9%
Net Property Operating Expenses	11,716	14,722	- 20.4%
Net Property Income	163,280	144,481	+ 13.0%

Langham Place Office Tower has remained popular among location-sensitive occupiers. Over the years, various lifestyle tenants have continued to expand in the property, achieving critical mass and with this creating a clustering effect that has led to the property becoming a lifestyle hub. These tenants contributed to the steady growth in passing rents.

For the first half of 2017, total rental income went up 9.9% to HK\$175 million, compared with HK\$159 million in the first half of 2016. As very few leases rolled-over during the period under review, passing rents as at 30 June 2017 increased slightly to a record high of HK\$39.98 per sq. ft., based on gross floor area. Occupancy remained at a high level of 97.5%.

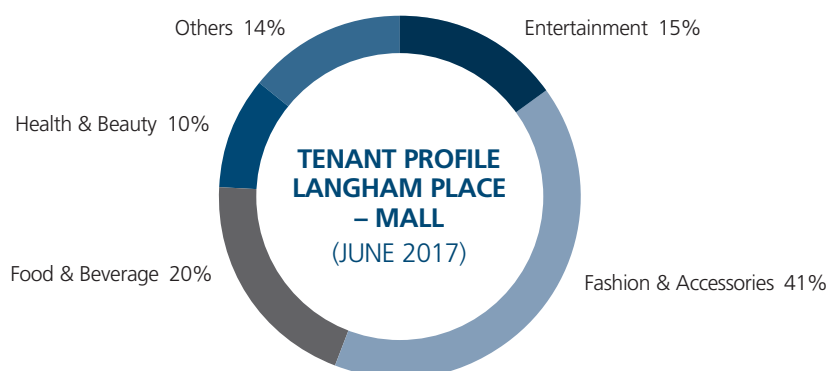
Lower tenancy turnover saved HK\$3 million of rental commissions, resulting in a drop in net property operating expenses from HK\$15 million to HK\$12 million. Net property income increased by 13.0% to HK\$163 million, compared with HK\$144 million in first-half 2016.



LANGHAM PLACE MALL

	6 Months Ended 30 June 2017 HK\$'000	6 Months Ended 30 June 2016 HK\$'000	Change
Rental Income	411,972	396,898	+ 3.8%
Net Property Operating Expenses	47,687	46,171	+ 3.3%
Net Property Income	364,285	350,727	+ 3.9%

Sales of Langham Place Mall picked up moderately in the beginning of the year. However, this recovery was dampened by an incident on 25 March 2017 in which one of the long escalators connecting Level 4 and Level 8 suddenly stopped and reversed its operating direction. Following this incident, the operation of this escalator, a main pathway driving circulation throughout the mall, was temporarily suspended through till mid-July. A special promotional program was conducted during this period, both to bolster customers' confidence in the Mall and to boost sales. These promotional efforts produced fruitful returns. In the six months to June 2017, the Mall's retail sales rose 1.9%. This positive growth contrasted with a full year decline of 4.9% in 2016. The Langham Place Mall has outperformed the overall Hong Kong market, which saw retail sales declined by 0.6% in the first half of 2017. However, the escalator incident may have a prolonged effect on the Mall's performance and brand image.



the first half last year. Both base rent and turnover rent recorded positive growth. Overall passing base rents reached HK\$178.79 per sq. ft. (based on lettable floor area) as at 30 June 2017, compared with HK\$178.74 per sq. ft. as at 31 December 2016. Turnover rent increased HK\$7 million to HK\$41 million (2016: HK\$34 million) primarily due to the outperformance of beauty tenants.

Total net property operating expenses increased 3.3% to HK\$48 million. This increase was driven by the HK\$5 million provision made in relation to the escalator incident, but offset largely by savings in net building management expenses of HK\$4 million. Net property income rose 3.9% to HK\$364 million, compared with HK\$351 million in the first half of 2016.

Rental income of the Mall grew moderately by 3.8% to HK\$412 million during the period under review, compared with HK\$397 million in

Outlook

While economic growth, both globally and in Hong Kong, remains on track, rich market valuations and high policy uncertainty - such as potential interest rate hike and timing of the balance-sheet unwind - could provide downside risks. Ongoing developments linking the Hong Kong and China capital markets, such as the launch this year of the mutual markets access scheme Bond Connect, should continue to support Central office demand. Rent rates should remain stable, given the current low vacancy and with there being no imminent new supply. Three Garden Road will continue to achieve strong positive rental reversion as its passing rent is still significantly below current market levels. Its solid rental reversion growth should outweigh the overall lower average occupancy. Langham Place

Office Tower will remain a top choice for location-sensitive occupiers, so high occupancy should continue.

The Hong Kong retail sales market is lingering around the bottom of the cycle. It would be premature at this stage to predict the timing of a rebound. Rental reversion of the Langham Place Mall therefore continues to encounter downward pressure. Also, it is possible the aftermath of the escalator incident may have a prolonged effect on the Mall's performance. Moreover, replacement of a major tenant would cause temporary closure of the street front store in 2H17 which may affect sales and foot traffic. Faced with all these headwinds, the Trust will deploy strategic initiatives to bring new excitement and innovation

to the Mall. An asset enhancement program for the food court, giving it a fresh look for consumers, will commence in the second half of this year.

In summary, positive rental reversion for the office portfolio is expected to sustain in the second half of 2017. However, downside pressure persists on the base rent of Langham Place Mall. The distribution remains vulnerable to a sharp rate hike, although the Trust has pro-actively taken mitigation measures to address the interest rate risks. The payout ratio for the full year of 2017 is expected to remain stable as in last year. We adopt a prudent and vigilant approach to steer the strategic direction of the Trust and review the portfolio from time to time.

By Order of the Board

**Eagle Asset Management (CP)
Limited**

(as manager of Champion Real Estate
Investment Trust)

Lo Ka Shui

Chairman

Hong Kong, 15 August 2017

Valuation of Properties

According to the Property Valuation Reports issued by Knight Frank Petty Limited on 31 July 2017, the valuations of the properties of Champion REIT, broken down by usage as at 30 June 2017 are:

Jun 2017 Valuation	Three Garden Road HK\$'million	Langham Place HK\$'million	Sub-total HK\$'million
Office	40,963	8,734	49,697
Retail	593	19,020	19,613
Car Park	556	355	911
Miscellaneous	352	233	585
Total	42,464	28,342	70,806

The Trust's property portfolio was valued at HK\$70.8 billion as at 30 June 2017, an increase of 5.9% from the December 2016 valuation of HK\$66.8 billion. The valuation increase was due mainly to higher rental assumptions. The capitalization rates used to value Three Garden Road and Langham Place remained unchanged at 3.6% and 4.0% respectively.

Financial Review

DISTRIBUTIONS

The Distribution Amount of Champion REIT for the six months ended 30 June 2017 was HK\$682 million (2016: HK\$634 million), calculated as 90% of Champion REIT's total available distributable income of HK\$758 million (2016: HK\$705 million).

The distribution per unit for the six months ended 30 June 2017 ("Interim Distribution per Unit") was HK\$0.1173. This represents an annualized distribution yield of 4.7% based on the closing price of HK\$4.97 as at 30 June 2017. Such distribution per unit, however, is subject to

adjustment upon the issuance of new units between 1 July 2017 and the record date. A further announcement will be made to Unitholders informing them of any adjustment to the Interim Distribution per Unit.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 19 September 2017 to Friday, 22 September 2017 ("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 2017 will be made on

Friday, 6 October 2017 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 30 June 2017, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 18 September 2017.

DEBT PROFILE

Outstanding Debt Facilities^{(1) (2)}

As at 15 August 2017

HK\$'million	Utilised facilities	Fixed rate debt ⁽³⁾	Floating rate debt
Secured Bank Loans	10,225	3,450	6,775
Medium Term Notes	4,616	3,973 ⁽⁴⁾	643
Total	14,841	7,423	7,418
Percentage		50.0%	50.0%

⁽¹⁾ All amounts are stated at face value.

⁽²⁾ All debt facilities were denominated in Hong Kong Dollars except for (4) below.

⁽³⁾ After interest rate swaps.

⁽⁴⁾ Included notes with outstanding principal amount of US\$386.4 million, fully hedged at an average rate of HK\$7.7595 to US\$1.00.

To lessen the vulnerability of interest expense to a rising interest rate environment, the Trust, during the period under review, issued fixed-rate MTNs and entered into various interest rate swap arrangements in order to increase its fixed-rate portion of outstanding debt. In June 2017, two MTNs of HK\$575 million and HK\$200 million were issued, both with 2.85% p.a. coupon and due in June 2025. The proceeds were used for partial prepayment of the HK\$5,500 million 3-year term loan and revolving credit facilities which bear interest at floating rate. As at 15 August 2017, the Trust entered into interest rate swap arrangements with a total notional amount of HK\$3,450 million at an average fixed interest rate of 1.55% p.a. in order to manage interest rate risk exposure on the 1-month HIBOR floating interest rate of the Trust's HK\$5,800 million 5-year term loan facility. The interest rate swap contracts are due on the same day as the maturity date of the 5-year term loan facility. As a result of this liability management exercise, the total fixed-rate debt portion of the Trust increased to 50.0% from 21.5% as at 31 December 2016. As at 30 June 2017, the average life of the Trust's debt outstanding was 4 years and the Trust's effective interest rate (after taking into account interest rate swaps) was 2.2%.

The Trust's investment properties at 30 June 2017 were appraised at a total value of HK\$70.8 billion, representing a 5.9% increase from HK\$66.8 billion as at 31 December 2016. Correspondingly, the Gearing Ratio (or total borrowings as a percentage of

Outstanding Debt Maturity Profile⁽¹⁾

As at 30 June 2017

	HK\$'million	% of total
Due in year 2019	4,425	29.8
Due in year 2021	5,800	39.1
Due in year 2022	643	4.3
Due in year 2023	2,998 ⁽²⁾	20.2
Due in year 2024	200	1.3
Due in year 2025	775	5.2
Total	14,841	100.0

⁽¹⁾ All amounts are stated at face value

⁽²⁾ After accounting for cross currency swaps

gross assets) decreased to 20.5% as at 30 June 2017 from 21.7% as at 31 December 2016. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 24.9% (31 December 2016: 26.1%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders were HK\$54.4 billion as at 30 June 2017, an increase of 7.7% compared to HK\$50.5 billion as at 31 December 2016.

The Net Asset Value per Unit was HK\$9.36 as at 30 June 2017. It represented an 88.3% premium to the closing unit price of HK\$4.97 as at 30 June 2017.

CASH POSITION

As at 30 June 2017, the Trust had total undrawn bank loan facilities of HK\$300 million and a cash balance of HK\$1,166 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 2017, properties of Champion REIT with a fair value of HK\$42.5 billion 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 2017, the Trust did not have any significant commitments.

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 2016 Annual Report of Champion REIT are updated as follow:

Dr. LO Ka Shui

Chairman and Non-executive Director

aged 70, 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. During the past two years, he was an Independent Non-executive Director of China Mobile Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and City e-Solutions Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a member of the Board of Trustees 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. Dr. Lo is an elder brother of Mr. Lo Kai Shui, a Non-executive Director of the REIT Manager.

Ms. WONG Ka Ki, Ada

Chief Executive Officer, Executive Director and Chief Investment Officer

aged 36, 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 over 15 years of finance industry experience. Prior to joining the REIT Manager, Ms. Wong worked at Citigroup and J.P. Morgan's investment banking division to offer 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. She was honoured with the title of Asia Best CEO by Corporate Governance Asia. She is also a Fellow member of the Royal Institution of Chartered Surveyors.

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

aged 75, 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 Limited, 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.

Mr. CHENG Wai Chee, Christopher*Independent Non-executive Director*

aged 69, has been a Director of the REIT Manager since 2006. He is a member of the Audit Committee of the REIT Manager. 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 and an Independent Non-executive Director of NWS Holdings Limited, both are listed on the Hong Kong Stock Exchange. He is also 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 board 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.

Biographical Details of Directors

Mr. HO Shut Kan

Independent Non-executive Director

aged 68, has been a director of the REIT Manager since 2007. He has been appointed as a member of the Audit Committee of the REIT Manager with effect from 23 August 2017. 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 January 2017. He has over thirty years of experience in the property sector. He is currently serving as an Executive Director and the President of Kerry Properties Limited, a listed company in Hong Kong. He is also a director of Shang Properties, Inc. which is listed in the Philippines.

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

Mr. SHEK Lai Him, Abraham

Independent Non-executive Director

aged 72, 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, 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 Goldin Financial Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an Independent Non-executive Director of Regal Portfolio Management Limited (manager of the publicly listed Regal REIT). Mr. Shek is 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, ITC Corporation Limited (now known as PT International Development Corporation Limited) and Jinheng Automotive Safety Technology Holdings Limited (now known as TUS International Limited). He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

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

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

aged 65, 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 Hopewell Highway Infrastructure Limited, Hopewell Holdings Limited, Lifestyle International Holdings Limited, Power Assets Holdings Limited and TOM Group Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong. During the past two years, Mr. Ip was an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited and New World China Land Limited.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of City University of Hong Kong, Hang Seng Management College, The Hong Kong Polytechnic University and University of Macau. He is an Honorary Professor of Lingnan University and a Council Member of The 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 and the Chairman of Hong Kong International Regional Cabinet of Washington University in St. Louis. 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 and Vice Chairman of World Green Organisation Limited.

Mr. LO Kai Shui*Non-executive Director*

aged 57, 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 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.

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 and bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures. It regularly reviews the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance, approving changes to governance policies in light of the latest statutory regime and international best practices, and reviewing corporate governance disclosures.

During the six months ended 30 June 2017, approval from the Unitholders was sought for updating the Deed of Trust constituting Champion REIT (“Trust Deed”) so as to mirror updates to Code on Real Estate Investment Trusts (“REIT Code”) and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and to reflect the latest developments in the Hong Kong REIT market. The special resolutions in relation thereto were passed by the Unitholders at the Extraordinary General Meeting held on Tuesday, 23 May 2017.

The Securities and Futures Commission (“SFC”) has issued a circular (“SFC Circular”) to introduce measures to heighten the accountability of the senior management of a licensed corporation and to promote awareness of senior management obligations under the current regulatory regime by classification of eight core functions, including the overall management oversight, key business line, operation control and review, risk management, finance and accounting, information technology, compliance and anti-money laundering and counter-terrorist financing. With the approval of the Board of Directors, core functions of the Managers-In-Charge (“MICs”) have been assigned and the Compliance Manual has been updated accordingly.

AUTHORISATION STRUCTURE

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the SFC under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and regulated by the SFC pursuant to the provisions of the SFO, the REIT Code and the 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, Mr. Kwong Chi Kwong, the Chief Operating Officer and Ms. Lau Yee Tong, Yvonne, the Asset Management Director 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 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.

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, 3 Non-executive Directors and 4 Independent Non-executive Directors. The Board of the REIT Manager may establish Board committees with clear terms of reference to review specific issues or items. The two standing Board committees established are the Audit Committee and the Disclosures Committee. There is no change to the composition of the Board or any of its committees during the six months ended 30 June 2017.

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. On 23 August 2017, Mr. Ho Shut Kan has been appointed as an additional member of the Audit Committee. The Audit Committee currently comprises 3 Independent Non-executive Directors (namely, Mr. Shek Lai Him, Abraham, Mr. Cheng Wai Chee, Christopher and Mr. Ho Shut Kan) 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

With respect to the eight core functions introduced by the SFC as mentioned above, the Board has assigned each of the core functions to the designated management person as MICs. Each of the MICs has acknowledged the appointment and particular responsibility. The core functions and the respective MICs according to the SFC Circular are set out below:

Core Function	MIC(s)
1. Overall Management Oversight	Chief Executive Officer
2. Key Business Line	Chief Executive Officer
3. Operational Control and Review	Asset Management Director and Internal Audit Manager
4. Risk Management	Internal Audit Manager
5. Finance and Accounting	Senior Finance and Office Administration Manager
6. Information Technology	Chief Operating Officer
7. Compliance	Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	Chief Operating Officer and Compliance Manager

CONFLICTS OF INTERESTS AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED

As mentioned hereinbefore, the REIT Manager and the Property Manager are providing the management and operating services to Champion REIT respectively. Whereas Longworth Management Limited (“Longworth”) and The Great Eagle Properties Management Company, Limited (“GEPM”) are acting as the respective DMC managers, CAF manager and estate manager of Three Garden Road, 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 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 “Langham” and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, Australasia, North America and Europe. There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things, the development, investment in and management of, properties in the residential, office, retail, and hotel sectors in Hong Kong and overseas.

With respect to estate management services, Longworth and GEPM together have established a team of more than 200 full-time staff exclusively dedicated to carrying out property management services in respect of Three Garden Road and Langham Place with a separate office location and IT system. Given the extensive experience of Longworth and GEPM 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.

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/her 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 2017, 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 2017.

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 2017.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2017 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 2017 ("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	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	216,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	54,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ²	2,207,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ³	3,123,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	27,000
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	7,421,000
Total			13,048,000

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	11,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ²	331,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ³	422,000
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ⁴	862,000
Total			1,626,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,044,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	5,770,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	43,183,000 ⁵
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	2,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Marketing expense	23,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	138,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,250,000
Total			51,410,000

Connected Party Transactions Report

Notes:

1. A security deposit by way of cash of approximately HK\$117,000 provided by Eagle Asset Management (CP) Limited was held by the Trust as at the Period end date.
2. Security deposits by way of bank guarantee and cash in an aggregate amount of approximately HK\$1,319,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Period end date.
3. A security deposit by way of cash of approximately HK\$1,519,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Period end date.
4. Security deposits by way of corporate guarantee and cash in the 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.
5. Out of this HK\$43,183,000, approximately HK\$41,741,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,442,000 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 2017; so as to enable the Mall Estate Manager to make payment of estate management expenses.

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 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	Income/ 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	41,741,000
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	1,442,000

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

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ 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	1,514,000
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	24,535,000
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	49,060,000
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	86,651,000 ⁴

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the Period end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Period end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Three Garden Road as at the Period end date.
4. Out of this HK\$86,651,000, approximately HK\$77,206,000 represented the amount of building management fee paid under the DMC for Three Garden Road, approximately HK\$9,445,000 represented the amount of building management fee contribution for curtain wall system's perimeter sealant replacement at Three Garden Road.

Connected Party Transactions Report

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\$127,723,000 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.

In 2012, 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% in cash for the financial year 2013. As no change has been made by the REIT Manager, 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 2017. For the six-month financial period ended 30 June 2017, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$63,861,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$63,862,000.

Other Miscellaneous Expenditure

An amount of HK\$143,000 in respect of the venue rental fee for investor relations event, 2017 annual general meeting and extraordinary general meeting during the Period was paid by Champion REIT to Best Come Limited, a wholly-owned subsidiary of Great Eagle.

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

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

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

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

Connected Party Transactions – Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	967,000
HSBC Group	Trustee Connected Persons	Bank charge	72,000
HSBC	Trustee Connected Persons	Interest expense of interest rate swap	3,952,000
Hang Seng ¹	Trustee Connected Persons	Loan interest/expense	75,868,000

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 the Period end date.

CP Success Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) entered into interest rate swap contracts with HSBC during the Period. The total notional amount in respect of such swap contracts with HSBC was HK\$1,900,000,000.

Note:

1. Hang Seng is a subsidiary of HSBC. It acts as the facility agent for (a) the term loan and revolving credit facilities of HK\$5,500 million; and (b) the term loan facility of HK\$5,800 million, with a total amount of HK\$11,000 million being drawn down on 28 June 2016 and an amount of HK\$775 million being prepaid on 29 June 2017. The total outstanding loans as at 30 June 2017 amounted to HK\$10,225 million. Syndicates of lenders of all the facilities include Hang Seng and HSBC. Under the respective term loans, Three Garden Road was mortgaged to the syndicates of lenders as security.

Connected Party Transactions – Others

During the Period, the trustee fee of approximately HK\$6,013,000 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 valuation fee of approximately HK\$95,000 had been incurred for services rendered by Knight Frank Petty Limited in its capacity as the principal valuer of Champion REIT.

Hong Kong, 15 August 2017

Note: All figures presented in this "CONNECTED PARTY TRANSACTIONS REPORT" have been rounded to the nearest thousand.

Disclosure of Interests

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

As at 30 June 2017, 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	Total Number of Units/Underlying Units Held ⁶	Percentage of Issued Units ⁷
Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	3,835,679,291 ¹	66.00
Cheng Wai Chee, Christopher	13,424,730 ⁴	0.23
REIT Manager (also a Substantial Unitholder)		
Eagle Asset Management (CP) Limited	374,975,926	6.45
Substantial Unitholders		
Great Eagle Holdings Limited	3,813,985,291 ²	65.62
HSBC International Trustee Limited	3,798,345,917 ³	65.35
HKSCC Nominees Limited	2,312,956,821 ⁵	39.80
Top Domain International Limited	1,420,416,628	24.44
Keen Flow Investments Limited	1,071,375,933	18.43
Bright Form Investments Limited	680,232,558	11.70

Notes:

1. Among these 3,835,679,291 Units:
 - (a) 940,000 Units, 589,000 Units, 50,000 Units and 1,000,000 Units were respectively held by Elizabeth B K Limited, Katherine B L Limited, Alexander C H Limited and Nicholas C N Limited, all of which are wholly-owned by Dr. Lo Ka Shui who is also a director of these companies;
 - (b) 19,115,000 Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee; and
 - (c) 3,813,985,291 Units were indirectly held by 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 16,412,193 Units as compared with the position as at 31 December 2016.

2. The 3,813,985,291 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 2017 and 31 December 2016 respectively:

Name	Number of Units/ Underlying Units Held	Number of Units/ Underlying Units Held
	As at 30 June 2017	As at 31 December 2016
Top Domain International Limited	1,420,416,628	1,420,416,628
Keen Flow Investments Limited	1,071,375,933	1,071,375,933
Bright Form Investments Limited	680,232,558	680,232,558
Eagle Asset Management (CP) Limited	374,975,926	361,214,733
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
Ecobest Ventures Limited	3,095,000	3,095,000

3. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as at 1 September 2016) received from HSBC International Trustee Limited ("HITL"). The unitholdings of HITL remained unchanged as compared with the position as at 31 December 2016.

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 33.42% interests in Great Eagle as at 30 June 2017. Dr. Lo Ka Shui (a director 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 (all are the directors of Great Eagle) and Mr. Lo Kai Shui (a director of the REIT Manager) 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 26.88% voting right in the capital of Great Eagle as at 30 June 2017.

4. These Units were held by a trust of which Mr. Cheng Wai Chee, Christopher is a beneficiary. The unitholdings of Mr. Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 31 December 2016.
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 decreased by 704,654 Units when compared with the position as at 31 December 2016.
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 5,811,998,520 as at 30 June 2017.

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 2017 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.

Disclosure of Interests

HOLDINGS OF OTHER CONNECTED PERSON

As at 30 June 2017, 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 connected person (as defined under the REIT Code) of Champion REIT, held Units and/or underlying Units of Champion REIT:

Name	Total Number of Units/Underlying Units Held	Percentage of Issued Units ²
HSBC Group	27,886,967 ¹	0.48

Notes:

1. The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries, unless otherwise expressly stated herein) ("HSBC Group") are connected persons by virtue of being holding company, controlling entities, subsidiaries or associated companies (as defined under the REIT Code) of the Trustee of Champion REIT according to the information available to the REIT Manager. The number of Units held by HSBC Group decreased by 15,727,903 Units as compared with the position as at 31 December 2016.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,811,998,520 as at 30 June 2017.

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 2017.

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 2017, Great Eagle owned 65.62% interests in Champion REIT and 62.11% 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 2017 are disclosed as follows:

Great Eagle

Dr. Lo Ka Shui had a personal interest in 49,167,440 shares and 1,325,000 share options and a corporate interest in 75,721,545 shares of Great Eagle as at 30 June 2017. He is the founder of a discretionary trust which owned 60,009,418 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 229,844,851 shares in Great Eagle as at 30 June 2017.

Mr. Lo Kai Shui had a personal interest in 562,308 shares and 500,000 share options and a corporate interest in 569,830 shares of Great Eagle as at 30 June 2017. He is also a discretionary beneficiary of a discretionary trust which owned 229,844,851 shares in Great Eagle as at 30 June 2017.

Mr. Ip Yuk Keung, Albert had a personal interest in 10,000 shares and 50,000 share options of Great Eagle as at 30 June 2017.

Ms. Wong Ka Ki, Ada had a personal interest in 170,000 share options of Great Eagle as at 30 June 2017.

Langham

Dr. Lo Ka Shui had a personal interest in 8,073,500 share stapled units of Langham. He had a corporate interest in 2,060,000 share stapled units of Langham and was deemed to be interested in 1,291,183,839 share stapled units of Langham held by Great Eagle as at 30 June 2017 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 44,100,000 share stapled units in Langham as at 30 June 2017.

Mr. Ip Yuk Keung, Albert had a joint interest with his spouse in 2,015,000 share stapled units of Langham as at 30 June 2017.

Other Information

NEW UNITS ISSUED

On 14 March 2017, 13,761,193 new Units were issued to the REIT Manager at the price of HK\$4.50 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\$61,925,372 payable by Champion REIT for the six months ended 31 December 2016.

Except for the above, no new Units were issued during the six months ended 30 June 2017. As at 30 June 2017, the total number of issued Units of Champion REIT was 5,811,998,520.

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 2017.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 July 2017 is set out below:

As at 31 July 2017	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$)	Mark-to-market Value (HK\$)	Weighting of GAV	Credit Rating
KERPRO 5 % 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296,000	64,938,000	0.0960%	N/A
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	9,960,000	0.0147%	S&P BBB-
NANFUN 4 % 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	57,416,000	0.0848%	S&P BBB-
NWDEVL 5 ¼ 02/26/21	Bond	HKEX	BVI	USD	41,574,000	41,723,000	0.0617%	N/A
PCCW 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	51,060,000	0.0754%	S&P BBB
Total					224,911,000	225,099,000	0.3326%	

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.

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 key principles 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 community. Therefore, 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 CHAMPION REIT'S UNITS

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 23 May 2017. During the six months ended 30 June 2017, 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.

FINANCIALS



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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 subsidiaries set out on pages 34 to 58, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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

15 August 2017

Condensed Consolidated Income Statement

For the six months ended 30 June 2017

		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
	Notes		
Rental income	4	1,164,467	1,108,786
Building management fee income		134,910	128,692
Rental related income		18,307	14,282
Total revenue		1,317,684	1,251,760
Property operating expenses	5	(253,327)	(257,336)
Net property income		1,064,357	994,424
Interest income		9,361	6,104
Manager's fee	6	(127,723)	(119,331)
Trust and other expenses		(9,426)	(12,300)
Increase in fair value of investment properties	13	3,962,708	1,334,490
Finance costs	7	(166,972)	(204,780)
Profit before tax and distribution to unitholders	8	4,732,305	1,998,607
Income taxes	9	(131,095)	(114,547)
Profit for the period, before distribution to unitholders		4,601,210	1,884,060
Distribution to unitholders		(681,751)	(634,313)
Profit for the period, after distribution to unitholders		3,919,459	1,249,747
Basic earnings per unit	12	HK\$0.79	HK\$0.33

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period, after distribution to unitholders	3,919,459	1,249,747
Other comprehensive (expense) income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(82,168)	82,930
Reclassification of fair value adjustments to profit or loss	(13,547)	(6,206)
	(95,715)	76,724
Total comprehensive income for the period	3,823,744	1,326,471

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current assets			
Investment properties	13	70,806,000	66,841,500
Notes receivables	14	221,476	221,121
Derivative financial instruments	20	8,247	32,408
Total non-current assets		71,035,723	67,095,029
Current assets			
Trade and other receivables	15	298,523	316,391
Tax recoverable		439	3,716
Bank balances and cash	16	1,165,690	957,531
Total current assets		1,464,652	1,277,638
Total assets		72,500,375	68,372,667
Current liabilities			
Trade and other payables	17	1,289,102	1,280,344
Deposits received		620,040	575,699
Tax liabilities		129,851	48,421
Distribution payable		681,751	696,481
Total current liabilities		2,720,744	2,600,945
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	18	10,162,850	10,924,600
Medium term notes	19	4,607,269	3,814,384
Derivative financial instruments	20	51,067	–
Deferred tax liabilities	21	538,012	497,975
Total non-current liabilities, excluding net assets attributable to unitholders		15,359,198	15,236,959
Total liabilities, excluding net assets attributable to unitholders		18,079,942	17,837,904
Net assets attributable to unitholders		54,420,433	50,534,763
Number of units in issue ('000)	22	5,811,999	5,798,237
Net asset value per unit	23	HK\$9.36	HK\$8.72

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2017

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders at 1 January 2016 (audited)	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	54,337	–	–	–	54,337
Net assets attributable to unitholders as at 30 June 2016 (unaudited)	24,092,764	4,941	5,757,943	19,993,307	49,848,955
Net assets attributable to unitholders at 1 January 2017 (audited)	24,152,429	30,043	5,757,943	20,594,348	50,534,763
Profit for the period, after distribution to unitholders	–	–	–	3,919,459	3,919,459
Cash flow hedges	–	(95,715)	–	–	(95,715)
Total comprehensive income for the period	–	(95,715)	–	3,919,459	3,823,744
Issue of units (note 22)	61,926	–	–	–	61,926
Net assets attributable to unitholders as at 30 June 2017 (unaudited)	24,214,355	(65,672)	5,757,943	24,513,807	54,420,433

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Operating activities		
Profit before tax and distribution to unitholders	4,732,305	1,998,607
Adjustments for:		
Increase in fair value of investment properties	(3,962,708)	(1,334,490)
Manager's fee payable in units	63,861	59,665
Interest income	(9,361)	(6,104)
Exchange difference	(1,476)	(144)
Finance costs	166,972	204,780
Operating cash flow before movements in working capital	989,593	922,314
Decrease (increase) in trade and other receivables	19,421	(31,280)
Increase (decrease) in trade and other payables	5,286	(7,371)
Increase in deposits received	44,341	81
Cash generated from operations	1,058,641	883,744
Interest paid	(151,296)	(149,761)
Hong Kong Profits Tax paid	(6,351)	(122)
Net cash from operating activities	900,994	733,861
Investing activities		
Interest received	9,047	7,154
Additions to investment properties	(1,792)	(42,010)
Net cash from (used in) investing activities	7,255	(34,856)
Financing activities		
Bank origination fees	–	(86,050)
New bank loan raised	–	11,000,000
Proceeds from issuance of medium term notes	775,000	–
Issuance cost of medium term notes	(3,813)	–
Repayment of bank loan	(775,000)	(10,950,000)
Distribution paid	(696,277)	(595,366)
Net cash used in financing activities	(700,090)	(631,416)
Net increase in cash and cash equivalents	208,159	67,589
Cash and cash equivalents at beginning of the period	957,531	692,920
Cash and cash equivalents at end of the period, Represented by bank balances and cash	1,165,690	760,509

Notes

to Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 “REIT Code”) issued by the Securities and Futures Commission of Hong Kong.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), Hong Kong Accounting Standard 34 “Interim Financial Reporting” and the relevant disclosure requirements set out in Appendix C of the REIT 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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, 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 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, but the application may have impact on disclosures in the consolidated financial statements for the year ending 31 December 2017.

Notes

to Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. 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, 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 2017

	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	668,513	199,446	449,725	1,317,684
Segment results – Net property income	536,792	163,280	364,285	1,064,357
Interest income				9,361
Manager's fee				(127,723)
Trust and other expenses				(9,426)
Increase in fair value of investment properties				3,962,708
Finance costs				(166,972)
Profit before tax and distribution to unitholders				4,732,305
Income taxes				(131,095)
Profit for the period, before distribution to unitholders				4,601,210
Distribution to unitholders				(681,751)
Profit for the period, after distribution to unitholders				3,919,459
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	3,132,920	257,000	572,788	3,962,708

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

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 2017

3. 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 2017, the fair values of Three Garden Road, Langham Place Office Tower and Langham Place Mall were HK\$42,464,000,000 (31 December 2016: HK\$39,330,000,000), HK\$8,734,000,000 (31 December 2016: HK\$8,477,000,000) and HK\$19,608,000,000 (31 December 2016: HK\$19,034,500,000), 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 2017 and 2016.

4. RENTAL INCOME

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Rental income	1,142,279	1,087,921
Car park income	22,188	20,865
	1,164,467	1,108,786

5. PROPERTY OPERATING EXPENSES

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Building management expenses	144,937	141,201
Car park operating expenses	4,666	4,665
Government rent and rates	34,195	32,375
Legal cost and stamp duty	1,182	3,731
Promotion expenses	6,756	6,772
Property and lease management service fee	35,790	32,473
Property miscellaneous expenses	6,256	1,253
Rental commission	18,083	33,951
Repairs and maintenance	1,462	915
	253,327	257,336

6. 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 2017 and 2016, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2017 and 2016 as remuneration.

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Manager's fee:		
In the form of units	63,861	59,665
In the form of cash	63,862	59,666
	127,723	119,331

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 2017 and 2016 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.

7. FINANCE COSTS

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Finance costs represent:		
Interest expense on bank borrowings	98,568	139,639
Interest expense on medium term notes	67,832	64,509
Other borrowing costs	572	632
	166,972	204,780

8. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditor's remuneration	1,005	1,005
Trustee's fee	6,013	5,762
Principal valuer's fee	95	120
Other professional fee and charges	2,840	4,604
Roadshow and public relations expenses	630	489
Bank charges	132	255
Exchange difference	(1,476)	(144)

Notes

to Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

9. INCOME TAXES

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	91,058	74,896
Deferred tax (note 21)		
– Current year	40,037	39,651
	131,095	114,547

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

10. 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:

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	4,601,210	1,884,060
Adjustments:		
Manager's fees payable in units	63,861	59,665
Increase in fair value of investment properties	(3,962,708)	(1,334,490)
Non-cash finance costs	15,101	55,906
Deferred tax	40,037	39,651
Total distributable income	757,501	704,792

11. DISTRIBUTION STATEMENT

	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Total distributable income (note 10)	757,501	704,792
Percentage of distributable income for distribution (note (i))	90%	90%
Total distribution amount to be paid	681,751	634,313
Distribution per unit to unitholders (note (ii))	HK\$0.1173	HK\$0.1094

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2016: 90%) of available distributable income as the distributions for the six months ended 30 June 2017 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1173 for the six months ended 30 June 2017 is calculated based on the interim distribution to be paid of HK\$681,751,000 for the period and 5,811,998,520 units in issue as at 30 June 2017. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 22 September 2017, which is the record date set for such period. The interim distribution will be paid to unitholders on 6 October 2017.

The interim distribution per unit of HK\$0.1094 for the six months ended 30 June 2016 was calculated based on the interim distribution paid of HK\$634,313,000 for the period and 5,798,237,327 units as of 21 September 2016, which was the record date for the period. The interim distribution was paid to unitholders on 6 October 2016.

12. BASIC EARNINGS PER UNIT

The basic earnings per unit during the six months ended 30 June 2017 is calculated by dividing the profit for the period, before distribution to unitholders of HK\$4,601,210,000 (2016: HK\$1,884,060,000) with the weighted average number of units of 5,812,984,636 (2016: 5,787,261,043) 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 2017 and 2016.

There were no diluted potential units during the six months ended 30 June 2017 and 2016, therefore the diluted earnings per unit has not been presented.

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13. INVESTMENT PROPERTIES

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Fair Value		
At the beginning of the period/year	66,841,500	64,783,000
Additions during the period/year	1,792	56,644
Increase in fair value during the period/year	3,962,708	2,001,856
At the end of the period/year	70,806,000	66,841,500

The fair value of the Group's investment properties at 30 June 2017 and 31 December 2016 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 2016: 4.0% to 4.25%) and 3.6% to 4.0% (31 December 2016: 3.6% to 4.0%), respectively and negatively correlated to the fair value of the investment properties.

The fair value of the Group's investment properties as at 31 December 2016 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 2017, certain investment properties with total fair value of HK\$42,464,000,000 (31 December 2016: HK\$39,330,000,000) have been pledged as security for credit facilities as detailed in note 18.

14. NOTES RECEIVABLE

As at 30 June 2017, the Group held unsecured bonds with aggregate carrying amounts of HK\$221,476,000 (31 December 2016: HK\$221,121,000), which are denominated in United States dollar with nominal values ranging from US\$1,200,000 to US\$7,640,000 (31 December 2016: 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 2016: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (31 December 2016: February 2021 to May 2024).

15. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Trade receivables	6,431	21,035
Deferred rent receivables	193,960	210,191
Deposits, prepayments and other receivables	98,132	85,165
	298,523	316,391

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 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 3 months	6,431	21,035

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$6,431,000 (31 December 2016: HK\$21,035,000) 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.

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16. BANK BALANCES AND CASH

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Cash on hand	2	2
Cash at bank	395,688	390,529
Time deposits	770,000	567,000
	1,165,690	957,531

Bank balances carry interest at market rate of 0.001% to 0.31% per annum (31 December 2016: 0.001% to 0.31% per annum). Time deposits have original maturity of less than three months carry interest at market rates which range from 1.20% to 1.40% per annum (31 December 2016: 0.85% to 1.90% per annum).

17. TRADE AND OTHER PAYABLES

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Trade payables	77,635	75,117
Rental received in advance	24,530	25,775
Other payables	223,462	215,977
Accrued stamp duty	963,475	963,475
	1,289,102	1,280,344

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2016: 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 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 3 months	77,635	75,117

18. SECURED BANK BORROWINGS

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Secured bank borrowings	10,225,000	11,000,000
Loan front-end fees	(62,150)	(75,400)
	10,162,850	10,924,600
The maturity of the secured bank borrowings is as follows:		
More than one year but not more than two years	4,409,153	–
More than two years but not exceeding five years	5,753,697	10,924,600
	10,162,850	10,924,600

In June 2016, 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 then outstanding secured term loans.

On 29 June 2017, the Group early prepaid an amount of HK\$775,000,000 of its secured term loan under the term loan and revolving credit facilities of HK\$5,500,000,000.

As at 30 June 2017, the outstanding secured bank borrowings comprise the following:

- (i) HK\$4,425,000,000 (31 December 2016: 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 repayable in full in June 2019; and
- (ii) HK\$5,800,000,000 (31 December 2016: HK\$5,800,000,000) secured term loan bears interest at a floating rate of HIBOR plus 0.95% per annum and repayable in full in June 2021.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$42,464,000,000 as at 30 June 2017 (31 December 2016: HK\$39,330,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged to the banks.

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19. MEDIUM TERM NOTES

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Medium term notes	4,634,161	3,839,146
Origination fees	(26,892)	(24,762)
	4,607,269	3,814,384

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 interest 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 2017, 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 2016: US\$386,400,000) (the "USD MTN"). The issued medium term note is repayable in full on 17 January 2023. The foreign currency rate and interest rate are fixed by the use of cross currency swaps.
- (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 2016: HK\$643,000,000). The issued medium term note is repayable in full on 26 March 2022.
- (iii) 8-year unsecured notes at a fixed rate of 2.75% per annum with principal of HK\$200,000,000 (31 December 2016: HK\$200,000,000). The issued medium term note is repayable in full on 7 October 2024.
- (iv) 8-year unsecured notes at a fixed rate of 2.85% per annum with principal of HK\$575,000,000. The issued medium term note is repayable in full on 20 June 2025.
- (v) 8-year unsecured notes at a fixed rate of 2.85% per annum with principal of HK\$200,000,000. The issued medium term note is repayable in full on 23 June 2025.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current assets		
Cash flow hedge – cross currency swaps	–	32,408
Cash flow hedge – interest rate swaps	8,247	–
	8,247	32,408
Non-current liabilities		
Cash flow hedge – cross currency swaps	29,747	–
Cash flow hedge – interest rate swaps	21,320	–
	51,067	–

The Group entered into cross currency swap contracts with total notional amount of US\$386,400,000 with The Hongkong and Shanghai Banking Corporation Limited, a connected person as defined in the REIT Code, to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of the USD MTN, 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 2017 and 31 December 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	17 January 2023	HK\$7.7541:US\$1	3.75%	Quarterly	Medium term note principal and coupon payments

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20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group also entered into interest rate swap contracts with various financial institutions of a total notional amount of HK\$3,100,000,000 (including a total notional amount of HK\$1,900,000,000 with The Hongkong and Shanghai Banking Corporation Limited, a connected person as defined in the REIT Code) to minimise its exposure to fluctuations in interest rates of its variable interest bearing secured term loan.

The interest rate swaps and the corresponding secured bank loan have similar terms and the Manager considered that the interest rate swaps were highly effective hedging instruments.

As at 30 June 2017, major terms of the interest rate swaps are set out below:

Total notional amount	Maturity	Floating interest rate	Fixed interest rates	Interest period
HK\$1,200,000,000	28 June 2021	HIBOR	1.73% to 1.86%	Monthly
HK\$1,900,000,000	28 June 2021	HIBOR + 0.95%	2.20% to 2.635%	Monthly

Subsequent to the end of the reporting period, the Group entered into an interest rate swap contract with a notional amount of HK\$350,000,000, resulting in a total notional amount of HK\$3,450,000,000.

The fair values of the above derivatives are based on the valuations provided by the counterparty financial institutions 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 2017, the loss on changes in fair value of the cross currency swaps and interest rate swaps under cash flow hedge amounting to HK\$82,168,000 (six months ended 30 June 2016: gain on changes of HK\$82,930,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$13,547,000 (six months ended 30 June 2016: HK\$6,206,000) 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 and interest payments.

21. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At the beginning of the period (audited)	497,975	–	497,975
Charge (credit) to condensed consolidated income statement during the period	40,238	(201)	40,037
At the end of the period (unaudited)	538,213	(201)	538,012

22. NUMBER OF UNITS IN ISSUE

	Number of units	HK\$'000
At 1 January 2017 (audited)	5,798,237,327	24,152,429
Units issued for settlement of Manager's fee	13,761,193	61,926
At 30 June 2017 (unaudited)	5,811,998,520	24,214,355

On 14 March 2017, 13,761,193 units at HK\$4.50 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2016 to 31 December 2016.

23. 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 2017 of HK\$54,420,433,000 (31 December 2016: HK\$50,534,763,000) by the number of units in issue of 5,811,998,520 units as at 30 June 2017 (31 December 2016: 5,798,237,327 units).

24. NET CURRENT LIABILITIES

At 30 June 2017, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$1,256,092,000 (31 December 2016: HK\$1,323,307,000).

25. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2017, the Group's total assets less current liabilities amounted to HK\$69,779,631,000 (31 December 2016: HK\$65,771,722,000).

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26. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2017, 13,761,193 units (six months ended 30 June 2016: 14,187,113 units) were issued as payment for the Manager's fee for the period from 1 July 2016 to 31 December 2016, amounting to HK\$61,926,000 (six months ended 30 June 2016: HK\$54,337,000).

27. 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 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Within one year	2,136,482	2,094,540
In the second to fifth year inclusive	3,262,730	3,525,293
Over five years	212,841	256,749
	5,612,053	5,876,582

The properties held had committed leases usually running for two to six years and rentals were predetermined at fixed amounts except for certain leases of which contingent rentals were charged based on the percentage of sales of the tenants. Contingent rental income of HK\$41,377,000 (six months ended 30 June 2016: HK\$34,232,000) 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.

28. CAPITAL COMMITMENT

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 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

29. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Rental income			
The Great Eagle Properties Management Company, Limited	(a)	3,150	2,988
Eagle Asset Management (CP) Limited	(a)	270	197
Eagle Property Management (CP) Limited	(a)	2,207	2,186
Best Come Limited	(a)	7,421	2,474
Interest income			
HSBC Group ^{1,4}	(b)	967	601
Building management fee income			
The Great Eagle Properties Management Company, Limited	(a)	422	395
Eagle Asset Management (CP) Limited	(a)	11	–
Eagle Property Management (CP) Limited	(a)	331	304
Best Come Limited	(a)	862	410
Building management fee			
The Great Eagle Properties Management Company, Limited	(a)	121,903	120,023
Longworth Management Limited	(a)	24,535	22,666
Property and lease management service fee			
Eagle Property Management (CP) Limited	(a)	35,790	32,390
Rental commission			
Eagle Property Management (CP) Limited	(a)	13,270	21,577
Knight Frank Petty Limited ⁴	(c)	–	45
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(a)	544	472
Keysen Engineering Company, Limited	(a)	63	174
The Great Eagle Properties Management Company, Limited	(a)	2	4

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29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Repairs and maintenance and renovations contracted to⁴			
The Great Eagle Engineering Company Limited	(a)	5,770	482
Toptech Co. Ltd	(a)	1,250	–
Keysen Engineering Company, Limited	(a)	1,044	169
The Great Eagle Properties Management Company, Limited	(a)	2	4
Acquisition cost of investment properties			
The Great Eagle Engineering Company Limited	(a)	644	–
Keysen Engineering Company, Limited	(a)	59	–
Property miscellaneous expenses			
GE (LHIL) Lessee Limited	(a)	23	9
Clever Gain Investment Limited	(a)	138	127
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited ⁴	(b)	6,013	5,762
Best Come Limited	(a)	143	–
HSBC Group ^{1,4}	(b)	72	65
Manager's fee			
Eagle Asset Management (CP) Limited	(a) & (d)	127,723	119,331
Finance costs			
Hang Seng Bank Limited ^{2,4}	(b)	89,119	122,832
The Hongkong and Shanghai Banking Corporation Limited ⁴	(b)	3,952	17,439
Valuation fee			
Knight Frank Petty Limited ⁴	(c)	95	120

29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Amount due from			
The Great Eagle Properties Management Company, Limited	(a) & (e)	58,456	50,091
Longworth Management Limited	(a) & (e)	15,311	15,311
Toptech Co. Limited	(a) & (e)	351	1,036
Amount due to			
Eagle Property Management (CP) Limited	(a) & (e)	24,442	18,910
Eagle Asset Management (CP) Limited	(a) & (e)	127,723	123,851
The Great Eagle Engineering Company Limited	(a) & (e)	5,634	756
The Great Eagle Properties Management Company, Limited	(a) & (e)	10,834	14,185
Keysen Engineering Company, Limited	(a) & (e)	1,298	367
Cordis Hong Kong Limited	(a) & (e)	–	3
Deposits placed with the Group for the lease of the Group's properties			
Eagle Property Management (CP) Limited	(a) & (f)	392	360
The Great Eagle Properties Management Company, Limited	(a)	1,519	1,519
Best Come Limited	(a)	2,244	2,244
Eagle Asset Management (CP) Limited	(a)	117	31

Notes:

- (a) These companies are subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates³ of the Trustee.
- (c) This company is the principal valuer of Champion REIT or its associates³.
- (d) 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 2017 and 30 June 2016.
- (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 2016: HK\$927,000) was received in lieu of deposit.
- ¹ HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.
- ² On 28 June 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.
- ³ As defined in the REIT Code.
- ⁴ Connected party transactions as defined in the REIT Code.

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

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

Financial assets/ (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2017 HK\$'000	31 December 2016 HK\$'000		
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	(29,747)	32,408	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 (if applicable), discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	8,247 (21,320)	– –	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.

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

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

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

Investment Properties Portfolio

As at 30 June 2017

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	92.6%	42,464.0
Langham Place Office Tower	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	703,000	703,000	97.5%	8,734.0
Langham Place Mall	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	19,608.0

Performance Table

	2017 (unaudited)	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)	2013 (unaudited)
As at 30 June:					
Net asset value (HK\$'000)	54,420,433	49,848,955	47,295,431	44,987,316	45,341,772
Net asset value per unit (HK\$)	9.36	8.62	8.21	7.85	7.96
The highest traded price during the period (HK\$)	5.29	4.38	4.59	3.83	4.19
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\$)	4.18	3.35	3.57	3.25	3.29
The highest discount of the traded price to net asset value	55.3%	61.1%	56.5%	58.6%	58.7%
For the six months ended 30 June:					
Distribution yield per unit ²	2.4%	2.5%	2.2%	2.9%	2.8%
Annualized distribution yield per unit	4.7%	5.3%	4.7%	6.1%	5.9%
Net profit yield per unit ³	15.9%	7.4%	6.4%	0.7%	7.7%
Annualized net profit yield per unit	31.9%	14.9%	12.8%	1.4%	15.5%

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\$0.1173 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2017 over the traded price of HK\$4.97 as at 30 June 2017.
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 2017 over the traded price of HK\$4.97 as at 30 June 2017.

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