



THREE
GARDEN
ROAD
CENTRAL

LANGHAM
PLACE

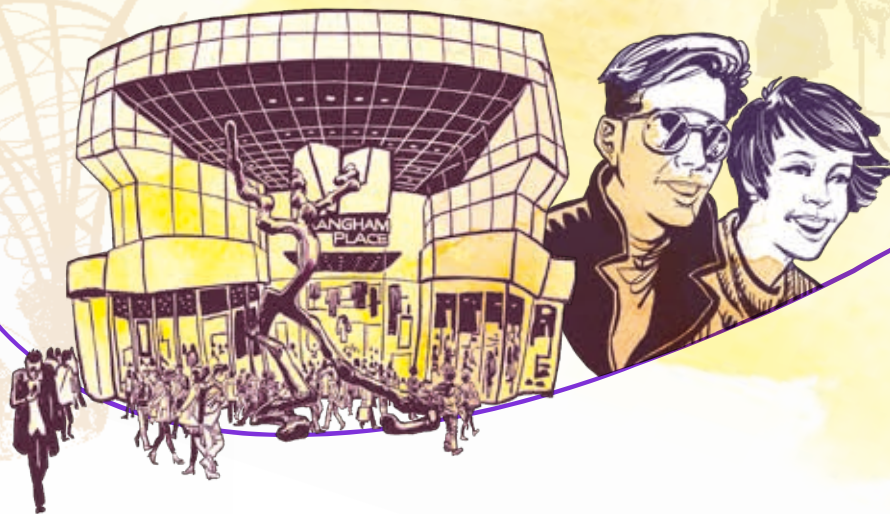


Trust Profile

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 and Langham Place, one on each side of the Victoria Harbour.



Experiential Journey



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

Executive Director

WONG Ka Ki, Ada (*Chief Executive 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

Colliers International (Hong Kong) 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 Jun 2018 HK\$' million	6 Months Ended 30 Jun 2017 HK\$' million	Change
Total Rental Income ¹	1,303	1,183	+ 10.1%
Net Property Operating Expenses ¹	126	118	+ 6.3%
Net Property Income	1,177	1,064	+ 10.6%
Profit After Tax	4,722	4,601	+ 2.6%
Distributable Income	812	758	+ 7.2%
Distribution Amount	731	682	+ 7.2%
Distribution per Unit (HK\$)	0.1253	0.1171	+ 7.0%

	As at 30 Jun 2018 HK\$' million	As at 31 Dec 2017 HK\$' million	Change
Gross Value of Portfolio	80,744	76,704	+ 5.3%
Net Asset Value per Unit (HK\$)	11.05	10.36	+ 6.7%
Gearing Ratio	18.1%	18.9%	- 0.8pp

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

Overview

Hong Kong's overall office and retail market is approaching all-time high during the first half of 2018 driven by the strong fundamentals. In particular, Hong Kong's strategic significance to Chinese financial firms has strengthened their appetite for offices in Central. Hong Kong's retail sales posted double-digit growth, fueled by robust consumer spending and a rise in visitors from Mainland China. Having our assets situated in irreplaceable locations, we are delighted to report another set of solid results, which reflects our efforts to deliver sustainable growth. Distributable income increased by 7.2% to HK\$812 million and distribution per unit ("DPU") went up 7.0% to HK\$0.1253 (2017: HK\$0.1171).

All the properties in the portfolio have attained higher passing rents, with Three Garden Road being the highest achiever. Meanwhile, Langham Place Mall has outperformed Hong Kong's retail sales market, boosting turnover rents in the first half of the year. The Trust's operating expenses ratio slightly improved, despite net property operating expenses climbed 6.3% to

HK\$126 million, which was mainly attributable to the higher operating expenses of Three Garden Road. The net property income grew 10.6% to HK\$1,177 million (2017: HK\$1,064 million).

The Trust is keeping close monitor on interest rate risks and managing liabilities proactively. During 2018, a total amount of HK\$925 million of medium term notes were issued so far, further raising the fixed rate debt portion while lowering the secured debt portion. The proportion of fixed rate debt increased to 54.2% as at 16 August 2018 (50.0% as at 31 December 2017). A higher average HIBOR and a raised fixed rate debt portion have driven up the cash finance costs by 22.0% to HK\$185 million (2017: HK\$152 million).

As at 30 June 2018, the Trust's properties had an appraised value of HK\$80.7 billion, a 5.3% increase from HK\$76.7 billion as at 31 December 2017. This increase was driven primarily by higher rental rate assumptions. Net asset value per unit as at 30 June 2018 was HK\$11.05, representing a rise of 6.7% as

compared with HK\$10.36 as at 31 December 2017. The gearing ratio dropped to 18.1% as at 30 June 2018 from 18.9% as at 31 December 2017.

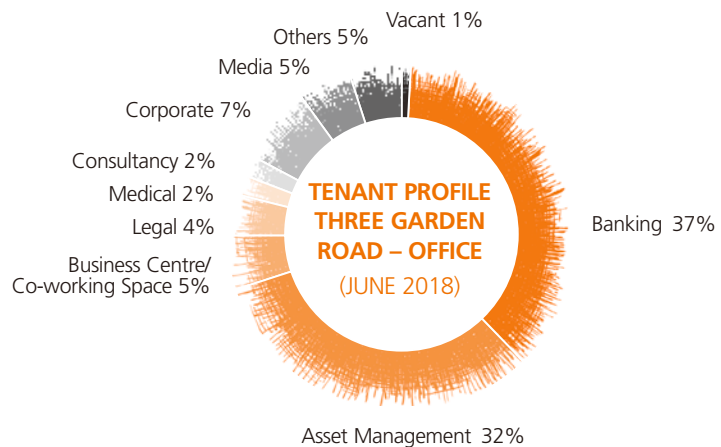
Operational Review

THREE GARDEN ROAD

	6 Months Ended 30 Jun 2018 HK\$'000	6 Months Ended 30 Jun 2017 HK\$'000	Change
Rental Income	671,847	595,806	+ 12.8%
Net Property Operating Expenses	64,877	59,014	+ 9.9%
Net Property Income	606,970	536,792	+ 13.1%

With the underlying imbalance between office supply and demand as well as close to historical low vacancy in Central, income from Three Garden Road continued to grow in the first half of 2018. Chinese corporations remained the dominant demand driver for offices in prestigious Central locations, while the demand for business centres and co-working spaces in prime locations has also been on the rise.

The total rental income from Three Garden Road increased by 12.8% to HK\$672 million (2017: HK\$596 million), which was attributable to a higher average occupancy rate and increased passing rents. The occupancy rate of the property reached a record high of 98.8% as at 30 June 2018, compared with 94.2% as at 31 December 2017. The tight supply of prime offices in Central has enhanced



the pricing power of landlords in the district. The latest rents achieved for Three Garden Road reached HK\$130 per sq. ft. (based on lettable area). The uptrend in market rentals has driven up the passing rents to HK\$95.87 per sq. ft. (based on lettable area) as at 30 June 2018, compared with HK\$92.52 per sq. ft. (based on lettable area) as at 31 December 2017.

As a consequence of the higher rental rates and increased occupancy achieved, the rental commission, lease management services fees and government rent increased accordingly. Net property operating expenses rose 9.9% to HK\$65 million as a result, whereas net property income attained a solid growth of 13.1% to HK\$607 million (2017: HK\$537 million).

Operational Review

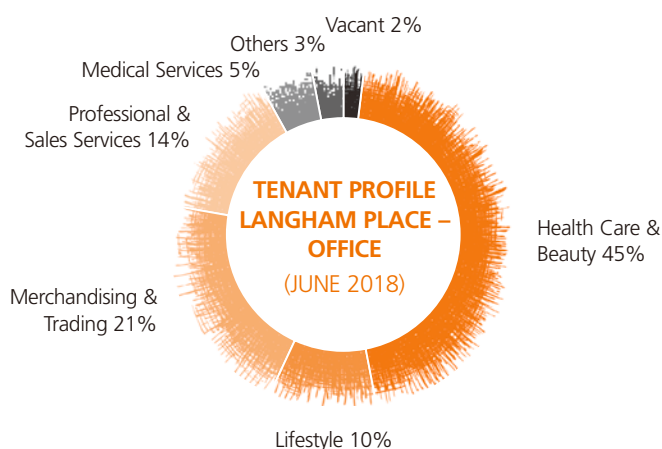
LANGHAM PLACE OFFICE TOWER

	6 Months Ended 30 Jun 2018 HK\$'000	6 Months Ended 30 Jun 2017 HK\$'000	Change
Rental Income	167,085	174,996	- 4.5%
Net Property Operating Expenses	12,244	11,716	+ 4.5%
Net Property Income	154,841	163,280	- 5.2%

Langham Place Office Tower has been reinforcing its position as a lifestyle hub. During the period under review, in-house healthcare and beauty tenants continued to show expansion needs while the clustering effect also attracted new lifestyle tenants. The tenant mix has gradually shifted away from traditional office occupants. As at 30 June 2018, the proportion of lifestyle, healthcare and beauty segments expanded further to 55%.

The total rental income was HK\$167 million for the first half of 2018, compared with HK\$175 million in 2017. The decline in rental income stemmed from a lower average occupancy level. With available spaces being taken up by healthcare and beauty tenants, the occupancy rate slightly improved to 98.3%. Latest achieved rents are above HK\$50 per sq. ft. (based on gross floor area), higher than the passing rents of HK\$41.24 per sq. ft. (based on gross floor area) as at 30 June 2018.

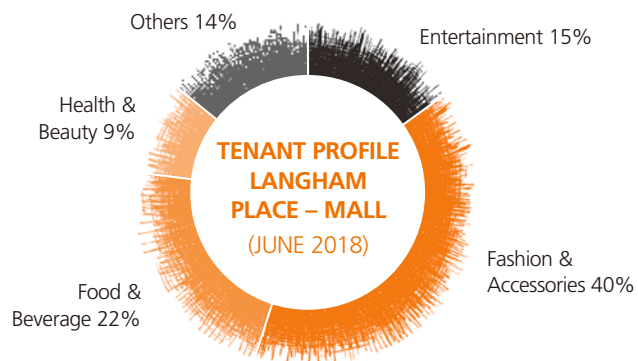
Total net property operating expenses went up 4.5% to HK\$12 million. This is driven by the increase in net building management expenses and government rates as average occupancy level dropped slightly. Net property income fell 5.2% to HK\$155 million (2017: HK\$163 million).



LANGHAM PLACE MALL

	6 Months Ended 30 Jun 2018 HK\$'000	6 Months Ended 30 Jun 2017 HK\$'000	Change
Rental Income	463,681	411,972	+ 12.6%
Net Property Operating Expenses	48,731	47,687	+ 2.2%
Net Property Income	414,950	364,285	+ 13.9%

Hong Kong's retail market rebounded in the first half of 2018, supported by the growth in tourist arrival and increased tourist spending attributed to the favourable RMB exchange rate. Tenant sales at Langham Place Mall accelerated and recorded a 23.5% increase year over year, achieving another outperformance against the city's retail market growth of 13.4%. Sales witnessed growth generally across all segments, with tourist-related trades being the outperformers.



Rental income from the Mall grew 12.6% to HK\$464 million, driven mainly by a significant increase in turnover rents on the back of solid sales performance of beauty and skincare tenants. Turnover rents have more than doubled to HK\$94 million (2017: HK\$41 million) while base

rents remained stable. The average passing base rents marginally improved to HK\$177.56 per sq. ft. (based on lettable floor area) as at 30 June 2018. Overall positive rental reversion was achieved for new leases and lease renewals effective in 2018.

Net property operating expenses increased by 2.2% to HK\$49 million, attributable to net building management expenses due to higher maintenance costs. Net property income grew 13.9% to HK\$415 million, compared with HK\$364 million last year.

Outlook

The solid economic growth in Hong Kong and favourable office supply-demand dynamics will continue to support office rent and occupancy levels. Global geopolitical tensions and the US-China trade wrangles may cause uncertainties and volatilities in the financial markets, which in turn can impact office demand in the Central business district.

The robust momentum of Hong Kong's retail market may be challenged by the depreciation of RMB which would drag down Chinese shoppers' spending and potentially dampen the growth trajectory in the first half. The high base effect in the

second half of 2017 would further present a challenging outlook for the second half of this year. Though the base rents of the Mall are expected to remain stable, volatilities in the turnover rents portion could affect the overall rental income. The Trust will step up its efforts to stay on top of the market and enhance shopping experience and facilities at the Mall. More cutting-edge campaigns riding on new technologies and experience-based promotion will be held to attract our target customers.

In view of the volatile interest rate environment, the Trust will sustain its active management over interest

rate risks and keep looking for opportunities to secure more long-term debts so as to gradually increase the fixed rate portion. Various refinancing options will also be examined for the bank loan maturing in 2019 in order to enhance the credit profile of the Trust and optimize interest costs.

Opportunities may arise for rebalancing the properties portfolio of the Trust in the ever-changing market environment. The Trust will prudently look at opportunities that might optimize unitholders' value and distribution.

By Order of the Board

**Eagle Asset Management (CP)
Limited**

(as manager of Champion Real Estate
Investment Trust)

Lo Ka Shui
Chairman

Hong Kong, 16 August 2018

Valuation of Properties

Pursuant to the Code on Real Estate Investment Trusts, Knight Frank Petty Limited retired as the principal valuer after having conducted valuations of the Trust's properties for three consecutive years. Colliers International (Hong Kong) Limited was appointed as the principal valuer and, according to the Property Valuation Reports issued on 19 July 2018, the appraised total value of Champion REIT properties, broken down by usage, as at 30 June 2018 was:

Jun 2018 Valuation	Three Garden Road HK\$ million	Langham Place HK\$ million	Sub-total HK\$ million
Office	46,934	9,670	56,604
Retail	657	21,960	22,617
Car Park	584	366	950
Miscellaneous	352	221	573
Total	48,527	32,217	80,744

As at 30 June 2018, the appraised value of the Trust's property portfolio stood at HK\$80.7 billion, a rise of 5.3% from HK\$76.7 billion as at 31 December 2017. This increase was primarily driven by higher rental assumptions. The capitalization rates used to value Three Garden Road, Langham Place Office and Langham Place Mall remained unchanged at 3.6%, 4.0% and 3.75% respectively.

Financial Review

DISTRIBUTIONS

The Distribution Amount of Champion REIT for the six months ended 30 June 2018 was HK\$731 million (2017: HK\$682 million), calculated as 90% of Champion REIT's total available distributable income of HK\$812 million (2017: HK\$758 million).

The distribution per unit for the six months ended 30 June 2018 ("Interim Distribution per Unit") was HK\$0.1253. This represents an annualized distribution yield of 5.1% based on the closing price of HK\$5.21 as at 29 June 2018. Such distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2018 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, 18 September 2018 to Friday, 21 September 2018 ("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 2018 will be made on Friday, 5 October 2018 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 2018, 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, 17 September 2018.

DEBT PROFILE

Outstanding Debt Facilities ⁽¹⁾ ⁽²⁾

As at 30 June 2018

HK\$ million	Utilised facilities	Fixed rate debt ⁽³⁾	Floating rate debt ⁽³⁾
Secured Bank Loans	9,950	3,450	6,500
Medium Term Notes	5,091	4,248 ⁽⁴⁾	843
Total	15,041	7,698	7,343
Percentage		51.2%	48.8%

⁽¹⁾ All amounts are stated at face value

⁽²⁾ All outstanding 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

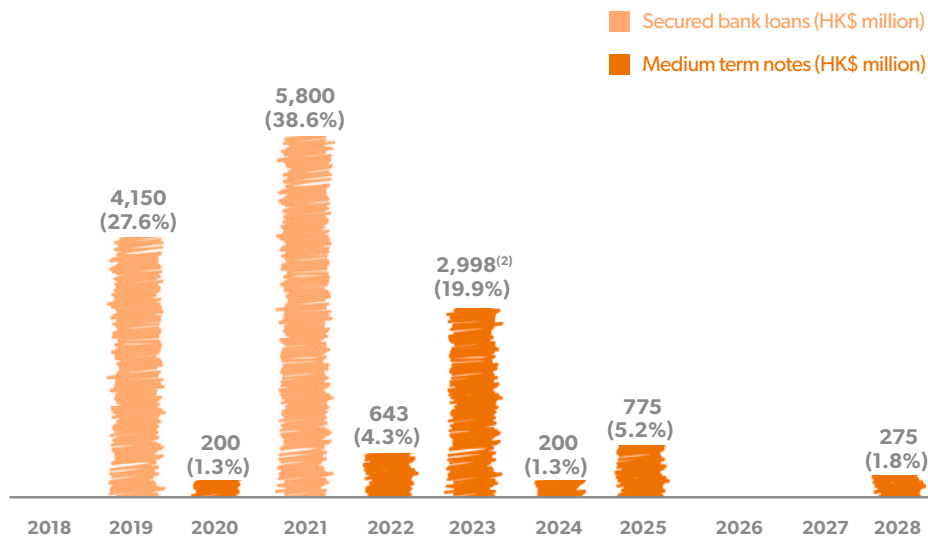
The Trust is keeping close monitor on interest rate risks and managing liabilities proactively. During 2018, a total amount of HK\$925 million of medium term notes were issued up to 16 August 2018, further raising

the fixed rate debt portion while lowering the secured debt portion. The proportion of fixed rate debt increased to 54.2% as at 16 August 2018 (50.0% as at 31 December 2017). A higher average HIBOR and

a raised fixed rate debt portion have driven up the cash finance costs by 22.0% to HK\$185 million (2017: HK\$152 million). As at 30 June 2018, the average life of the Trust's debt outstanding was 3.1 years while the effective interest rate was 3.0%.

Outstanding Debt Maturity Profile ⁽¹⁾

As at 30 June 2018



⁽¹⁾ All amounts are stated at face value

⁽²⁾ After accounting for cross-currency swaps

The Trust's investment properties as at 30 June 2018 were appraised at a total value of HK\$80.7 billion, representing a 5.3% increase from HK\$76.7 billion as at 31 December 2017. Correspondingly, the Gearing Ratio (or total borrowings as a percentage of gross assets) decreased from 18.9% as at 31 December 2017 to 18.1% as at 30 June 2018. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 22.3% (31 December 2017: 23.1%).

NET ASSET VALUE PER UNIT

Net Asset Value per Unit as at 30 June 2018 was HK\$11.05. It represented a 112.1% premium to the closing unit price of HK\$5.21 as at 29 June 2018.

CASH POSITION

As at 30 June 2018, the Trust had total undrawn bank loan facilities of HK\$300 million and a cash balance of HK\$1,609 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 2018, properties of Champion REIT with a fair value of HK\$48.5 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 2018, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the condensed consolidated financial statements amounting to HK\$39 million.

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

Biographical Details of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the REIT Manager subsequent to the publication of the 2017 Annual Report of Champion REIT and up to the date of this Interim Report, are updated as follow:

Dr. LO Ka Shui

Chairman and Non-executive Director

aged 71, was appointed the Chairman, a Non-executive Director and a member of both the Audit Committee and the Disclosures Committee of the REIT Manager in 2006. He is also a Director of all special purpose vehicles of Champion REIT. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Langham Hospitality Investments. He is 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 and a Vice Chairman of The Chamber of Hong Kong Listed Companies.

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.

Ms. WONG Ka Ki, Ada

Chief Executive Officer and Executive Director

aged 37, 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 the Chairperson of Asia Pacific Real Estate Association Hong Kong chapter and a Fellow member of the Royal Institution of Chartered Surveyors.

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

aged 66, 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 Holdings Limited, Lifestyle International Holdings Limited, Power Assets Holdings Limited, TOM Group Limited and New World Development Company 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, New World China Land Limited and Hopewell Highway Infrastructure 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, Hong Kong University of Science and Technology, and Adjunct Distinguished Professor in Practice at the 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 Committee on Certification for Principalship (CCFP) of Education Bureau of Hong Kong, a Member of the International Advisory Committee at University of Macau and a Trustee of the Board of Trustee at 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. CHA Mou Sing, Payson*Independent Non-executive Director*

aged 76, 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.

Biographical Details of Directors

Mr. CHENG Wai Chee, Christopher

Independent Non-executive Director

aged 70, 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 and the former Chairman of the Hong Kong General Chamber of Commerce.

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

Mr. HO Shut Kan

Independent Non-executive Director

aged 69, 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 forty years of experience in the property sector. He is currently serving as an Executive Director and the Chief Executive Officer 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 73, 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, 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, Goldin Financial Holdings Limited, Everbright Grand China Assets Limited and CSI Properties 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), Jinheng Automotive Safety Technology Holdings Limited (now known as TUS International Limited) and Midas International Holdings 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.

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.

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 Securities and Futures Commission ("SFC") pursuant to the provisions of the SFO, the Code on Real Estate Investment Trusts ("REIT Code") and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Ms. Wong Ka Ki, Ada, the Chief Executive Officer and Executive Director, 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 Deed of Trust constituting Champion REIT ("Trust Deed"), other relevant constitutive documents and the regulatory requirements applicable to Champion REIT. Whereas the REIT Manager is responsible for managing Champion REIT in accordance with the Trust Deed and ensuring that the financial and economic aspects of Champion REIT's assets are professionally managed in the sole interest of Unitholders. The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Trust Deed entered into between the REIT Manager and the Trustee on 26 April 2006 as amended from time to time.

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

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 7 members, with 1 Executive Director, 2 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. Mr. Lo Kai Shui retired by rotation as a Non-executive Director of the REIT Manager with effect from 28 June 2018 in accordance with the Articles of Association of the REIT Manager.

The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager’s risk management and internal control systems. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee currently comprises 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

Under the regulatory regime of SFC by classification of eight core functions, the Board has assigned each of the core functions to the designated management person as the Manager-In-Charge (“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:-

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 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 2018, 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 2018.

The REIT Manager has adopted a Code Governing Dealings in Securities by the Management Persons (the "Code on Securities Dealings") 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 Code on Securities Dealings during the six months ended 30 June 2018.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2018 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

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group for the 6 months ended 30 June 2018 ("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.

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	223,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	188,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ²	2,849,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ³	3,579,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	29,000
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	7,421,000
Total			14,289,000

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	39,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ²	353,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ³	442,000
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ⁴	906,000
Total			1,740,000

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	654,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	173,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	46,953,000 ⁵
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	3,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Marketing expense	10,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	147,000
Total			47,940,000

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\$1,806,000 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\$1,836,000 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\$2,214,000 respectively provided by Best Come Limited were held by the Trust as at the Period end date.
5. Out of this HK\$46,953,000, approximately HK\$45,275,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,678,000 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 ended 31 December 2018; 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 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 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	45,275,000
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	1,678,000

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	1,456,000
Office Sub-DMC (sub-deed of mutual covenant) for Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense ²	25,371,000
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 and reimbursement	52,667,000 ⁴
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	100,828,000 ⁵

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\$52,667,000, approximately HK\$38,961,000 represented the amount of property and lease management service fee paid, approximately HK\$10,218,000 represented the amount of rental commission paid and approximately HK\$3,488,000 represented the amount of reimbursement paid to The Great Eagle Properties Management Company, Limited as delegate for operating the carpark of Langham Place.
5. Out of this HK\$100,828,000, approximately HK\$81,278,000 represented the amount of building management fee paid under the DMC for Three Garden Road, approximately HK\$19,550,000 represented the amount of building management fee contribution for footbridge renovation project 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\$141,211,000 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 the 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 the Manager's Fee as to 50% in the form of Units and 50% in cash remains applicable to the financial year 2018. For the Period, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$70,605,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$70,606,000.

Other Miscellaneous Expenditure

An amount of HK\$62,000 in respect of the venue rental fee for investor relations event 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	1,039,000
HSBC Group	Trustee Connected Persons	Bank charge	74,000
HSBC	Trustee Connected Persons	Interest expense of interest rate swap	3,731,000
Hang Seng ¹	Trustee Connected Persons	Loan interest/expense	96,305,000

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) maintained 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.

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) entered into an interest rate swap contract with HSBC during the Period. The total notional amount in respect of such swap contract with HSBC was HK\$200,000,000.

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\$1,050 million being prepaid upto 30 June 2018. The total outstanding loans as at 30 June 2018 amounted to HK\$9,950 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\$6,847,000 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\$17,000 and HK\$84,000 had been incurred for services rendered by Knight Frank Petty Limited and Colliers International (Hong Kong) Limited in the capacity as the principal valuers of Champion REIT respectively.

Hong Kong, 16 August 2018

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 2018, 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 ⁷	Percentage of Issued Units ⁸
Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	3,860,871,046 ¹	66.17
Cheng Wai Chee, Christopher	13,424,730 ⁴	0.23
Wong Ka Ki, Ada	400,000 ⁵	0.01
REIT Manager		
<i>(also a substantial Unitholder)</i>		
Eagle Asset Management (CP) Limited	397,875,798	6.82
Substantial Unitholders		
Great Eagle Holdings Limited	3,839,177,046 ²	65.80
HSBC International Trustee Limited	3,837,603,982 ³	65.77
HKSCC Nominees Limited	2,316,919,826 ⁶	39.71
Top Domain International Limited	1,420,416,628	24.34
Keen Flow Investments Limited	1,071,375,933	18.36
Bright Form Investments Limited	680,232,558	11.66

Notes:

- Among these 3,860,871,046 Units:
 - 50,000 Units, 940,000 Units, 589,000 Units and 1,000,000 Units were respectively held by Alexander C H Limited, Elizabeth B K Limited, Katherine B L 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;
 - 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
 - 3,839,177,046 Units and/or underlying Units were indirectly held by Great Eagle as explained in Note 2 below. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle.

The unitholdings of Dr. Lo Ka Shui and his associates increased by 13,962,155 Units/underlying Units in aggregate as compared with the position as at 31 December 2017.

2. The 3,839,177,046 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 2018 and 31 December 2017 respectively:

Name	Number of Units/ Underlying Units Held	Number of Units/ Underlying Units Held
	As at 30 June 2018	As at 31 December 2017
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	397,875,798	386,005,526
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	4,827,883	2,736,000
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 March 2018) received from HSBC International Trustee Limited ("HITL"). When compared with the position as at 31 December 2017, the unitholdings of HITL increased by 11,790,272 Units.

HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 33.34% interests in Great Eagle as at 30 June 2018. 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) are among the discretionary beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his personal capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust altogether held 27.36% voting right in the capital of Great Eagle as at 30 June 2018.

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 2017.
5. These Units were held by Ms. Wong Ka Ki, Ada's spouse. The unitholdings of Ms. Wong Ka Ki, Ada remained unchanged as compared with the position as at 31 December 2017.
6. As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited decreased by 5,698,637 Units and/or underlying Units when compared with the position as at 31 December 2017.
7. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.
8. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,834,898,392 as at 30 June 2018.

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 2018 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 2018, 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 Held	Percentage of Issued Units ²
HSBC Group	3,467,967 ¹	0.06

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 increased by 3,391,000 Units as compared with the position as at 31 December 2017.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,834,898,392 as at 30 June 2018.

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 2018.

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 2018, Great Eagle owned 3,839,177,046 Units and/or underlying Units (65.80%) in Champion REIT and 1,311,470,938 share stapled units (62.48%) 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 2018 are disclosed as follows:

Great Eagle

Dr. Lo Ka Shui had a personal interest in 50,533,303 shares and 1,358,000 share options and a corporate interest in 78,374,292 shares of Great Eagle as at 30 June 2018. He is the founder of a discretionary trust which owned 60,788,762 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 232,829,848 shares in Great Eagle as at 30 June 2018.

Mr. Ip Yuk Keung, Albert had a personal interest in 30,000 shares and 64,000 share options of Great Eagle as at 30 June 2018.

Ms. Wong Ka Ki, Ada had a personal interest in 70,000 shares and 200,000 share options of Great Eagle as at 30 June 2018.

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 1,311,470,938 share stapled units of Langham held by Great Eagle as at 30 June 2018 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 2018.

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 2018.

Other Information

NEW UNITS ISSUED

On 1 March 2018, 11,870,272 new Units were issued to the REIT Manager at the price of HK\$5.57 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 approximately HK\$66,117,500 payable by Champion REIT for the six months ended 31 December 2017.

Except for the above, no new Units were issued during the six months ended 30 June 2018. As at 30 June 2018, the total number of issued Units of Champion REIT was 5,834,898,392.

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 2018.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 July 2018 is set out below:

As at 31 July 2018	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$)	Mark-to-market Value (HK\$)	Weighting of GAV	Credit Rating
KERPRO 5 ⁷ / ₈ 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296,000	62,442,000	0.0803%	N/A
NANFUN 4 ¹ / ₂ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	9,535,000	0.0123%	S&P BBB-
NANFUN 4 ⁷ / ₈ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	54,830,000	0.0705%	S&P BBB-
NWDEVL 5 ¹ / ₄ 02/26/21	Bond	HKEX	BVI	USD	41,574,000	40,275,000	0.0518%	N/A
PCCW 3 ³ / ₄ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	48,863,000	0.0629%	S&P BBB
Total					224,911,000	215,944,000	0.2778%	

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 9 May 2018. During the six months ended 30 June 2018, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had bought back, sold or redeemed any Units pursuant to this mandate.

PUBLIC FLOAT

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

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Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

(as Manager of Champion Real Estate Investment Trust)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust (“Champion REIT”) and its subsidiaries set out on pages 34 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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

16 August 2018

Condensed Consolidated Income Statement

For the six months ended 30 June 2018

	Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Rental income	4	1,284,859	1,164,467
Building management fee income	4	142,162	134,910
Rental related income		17,754	18,307
Total revenue		1,444,775	1,317,684
Property operating expenses	5	(268,014)	(253,327)
Net property income		1,176,761	1,064,357
Interest income		10,900	9,361
Manager's fee	6	(141,211)	(127,723)
Trust and other expenses		(16,307)	(9,426)
Increase in fair value of investment properties		4,033,138	3,962,708
Finance costs	7	(197,934)	(166,972)
Profit before tax and distribution to unitholders	8	4,865,347	4,732,305
Income taxes	9	(143,020)	(131,095)
Profit for the period, before distribution to unitholders		4,722,327	4,601,210
Distribution to unitholders		(731,022)	(681,751)
Profit for the period, after distribution to unitholders		3,991,305	3,919,459
Basic earnings per unit	12	HK\$0.81	HK\$0.79

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period, after distribution to unitholders	3,991,305	3,919,459
Other comprehensive income (expense):		
<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	51,173	(82,168)
Reclassification of fair value adjustments to profit or loss	(4,325)	(13,547)
	46,848	(95,715)
Total comprehensive income for the period	4,038,153	3,823,744

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

		At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
	Notes		
Non-current assets			
Investment properties	13	80,744,000	76,704,000
Notes receivables	14	220,314	220,531
Derivative financial instruments	20	81,137	36,587
Total non-current assets		81,045,451	76,961,118
Current assets			
Trade and other receivables	15	282,202	294,910
Tax recoverable		1,605	6,421
Time deposits with original maturity over three months	16	200,000	–
Bank balances and cash	16	1,409,003	1,190,389
Total current assets		1,892,810	1,491,720
Total assets		82,938,261	78,452,838
Current liabilities			
Trade and other payables	17	1,336,245	1,338,049
Deposits received		690,751	652,685
Tax liabilities		136,151	38,921
Distribution payable		731,022	730,979
Secured bank borrowings	18	4,142,590	–
Total current liabilities		7,036,759	2,760,634
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	18	5,765,296	10,172,623
Medium term notes	19	5,101,461	4,612,054
Derivative financial instruments	20	784	17,674
Deferred tax liabilities	21	578,448	538,611
Total non-current liabilities, excluding net assets attributable to unitholders		11,445,989	15,340,962
Total liabilities, excluding net assets attributable to unitholders		18,482,748	18,101,596
Net assets attributable to unitholders		64,455,513	60,351,242
Number of units in issue ('000)	22	5,834,898	5,823,028
Net asset value per unit	23	HK\$11.05	HK\$10.36

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2018

	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 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 (expense) 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
Net assets attributable to unitholders at 1 January 2018 (audited)	24,278,216	(6,187)	5,757,943	30,321,270	60,351,242
Profit for the period, after distribution to unitholders	–	–	–	3,991,305	3,991,305
Cash flow hedges	–	46,848	–	–	46,848
Total comprehensive income for the period	–	46,848	–	3,991,305	4,038,153
Issue of units (note 22)	66,118	–	–	–	66,118
Net assets attributable to unitholders as at 30 June 2018 (unaudited)	24,344,334	40,661	5,757,943	34,312,575	64,455,513

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Operating activities		
Profit before tax and distribution to unitholders	4,865,347	4,732,305
Adjustments for:		
Increase in fair value of investment properties	(4,033,138)	(3,962,708)
Manager's fee payable in units	70,605	63,861
Interest income	(10,900)	(9,361)
Exchange difference	(900)	(1,476)
Finance costs	197,934	166,972
Operating cash flow before movements in working capital	1,088,948	989,593
Decrease in trade and other receivables	15,432	19,421
(Decrease) increase in trade and other payables	(253)	5,286
Increase in deposits received	38,066	44,341
Cash generated from operations	1,142,193	1,058,641
Interest paid	(193,119)	(151,296)
Hong Kong Profits Tax paid	(1,137)	(6,351)
Net cash from operating activities	947,937	900,994
Investing activities		
Placement of time deposits with original maturity over three months	(200,000)	–
Interest received	9,342	9,047
Additions to investment properties	(6,862)	(1,792)
Net cash (used in) from investing activities	(197,520)	7,255
Financing activities		
Proceeds from issuance of medium term notes	475,000	775,000
Distribution paid	(731,113)	(696,277)
Repayment of bank loan	(275,000)	(775,000)
Issuance cost of medium term notes	(690)	(3,813)
Net cash used in financing activities	(531,803)	(700,090)
Net increase in cash and cash equivalents	218,614	208,159
Cash and cash equivalents at beginning of the period	1,190,389	957,531
Cash and cash equivalents at end of the period, Represented by bank balances and cash	1,409,003	1,165,690

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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 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.

The Manager is in the process of negotiation with banks to refinance the existing secured term loan which is due within one year. Therefore the management considers that the Group has sufficient financial resources to satisfy its commitments and working capital for its present requirements within one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 retrospectively for the first time in the current interim period with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. HKFRS 15 applies to all contracts with customers except for lease arrangements under the scope of HKAS 17 "Leases".

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

Application of new and amendments to HKFRSs (continued)

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The Manager considers that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

Application of new and amendments to HKFRSs (continued)

Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments”

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculate at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

The Manager reviewed and assessed the Group's financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date. There would be no impact on initial application of HKFRS 9 as all other assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

Application of new and amendments to HKFRSs (continued)

Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

Application of new and amendments to HKFRSs (continued)

Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group considers the default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

Application of new and amendments to HKFRSs (continued)

Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Manager reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment would be recognised at the date of initial recognition, 1 January 2018.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

Application of new and amendments to HKFRSs (continued)

Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Hedge accounting

The Group has elected to adopt the new general hedge accounting in HKFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The adoption of HKFRS 9 has had no material impact on these condensed consolidated financial statements.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 2018

	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	749,703	192,153	502,919	1,444,775
Segment results – Net property income	606,970	154,841	414,950	1,176,761
Interest income				10,900
Manager's fee				(141,211)
Trust and other expenses				(16,307)
Increase in fair value of investment properties				4,033,138
Finance costs				(197,934)
Profit before tax and distribution to unitholders				4,865,347
Income taxes				(143,020)
Profit for the period, before distribution to unitholders				4,722,327
Distribution to unitholders				(731,022)
Profit for the period, after distribution to unitholders				3,991,305
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	2,359,138	220,000	1,454,000	4,033,138

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

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 assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2018, the fair values of Three Garden Road, Langham Place Office Tower and Langham Place Mall were HK\$48,527,000,000 (31 December 2017: HK\$46,161,000,000), HK\$9,670,000,000 (31 December 2017: HK\$9,450,000,000) and HK\$22,547,000,000 (31 December 2017: HK\$21,093,000,000), respectively.

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

Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the six months ended 30 June 2018 and 2017.

4. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Rental income	1,261,153	1,142,279
Car park income	23,706	22,188
	1,284,859	1,164,467

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Building management fee income	142,162	134,910

The timing of revenue recognition of building management fee income is over time.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

5. PROPERTY OPERATING EXPENSES

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Building management expenses	153,485	144,937
Car park operating expenses	5,526	4,666
Government rent and rates	37,687	34,195
Legal cost and stamp duty	1,575	1,182
Promotion expenses	7,713	6,756
Property and lease management service fee	38,961	35,790
Property miscellaneous expenses	1,251	6,256
Rental commission	20,646	18,083
Repairs and maintenance	1,170	1,462
	268,014	253,327

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 2018 and 2017, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2018 and 2017 as remuneration.

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Manager's fee:		
In the form of units	70,605	63,861
In the form of cash	70,606	63,862
	141,211	127,723

Based on the election on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for the six months ended 30 June 2018 and 2017 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% in the form of cash.

7. FINANCE COSTS

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Finance costs represent:		
Interest expense on bank borrowings	114,894	98,568
Interest expense on medium term notes	82,278	67,832
Other borrowing costs (note)	762	572
	197,934	166,972

Note: Include loss on interest rate swap designated as fair value hedge of HK\$190,000.

8. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditor's remuneration	1,025	1,005
Trustee's fee	6,847	6,013
Principal valuer's fee	101	95
Other professional fee and charges	8,097	2,840
Roadshow and public relations expenses	889	630
Bank charges	153	132
Exchange difference	(900)	(1,476)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

9. INCOME TAXES

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	103,203	91,058
– Overprovision in prior years	(20)	–
	103,183	91,058
Deferred tax		
– Current year (note 21)	39,837	40,037
	143,020	131,095

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 defined and 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:

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	4,722,327	4,601,210
Adjustments:		
– Manager's fees payable in units	70,605	63,861
– Increase in fair value of investment properties	(4,033,138)	(3,962,708)
– Non-cash finance costs	12,616	15,101
– Deferred tax	39,837	40,037
Total distributable income	812,247	757,501

11. DISTRIBUTION STATEMENT

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Total distributable income (note 10)	812,247	757,501
Percentage of distributable income for distribution (note (i))	90%	90%
Total distribution amount to be paid	731,022	681,751
Distribution per unit to unitholders (note (ii))	HK\$0.1253	HK\$0.1171

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2017: 90%) of available distributable income as the distributions for the six months ended 30 June 2018 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1253 for the six months ended 30 June 2018 is calculated based on the interim distribution to be paid of HK\$731,022,000 for the period and 5,834,898,392 units in issue as at 30 June 2018. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 21 September 2018, which is the record date set for such period. The interim distribution will be paid to unitholders on 5 October 2018.

The interim distribution per unit of HK\$0.1171 for the six months ended 30 June 2017 was calculated based on the interim distribution paid of HK\$681,751,000 for the period and 5,823,028,120 units as of 22 September 2017, which was the record date for the period. The interim distribution was paid to unitholders on 6 October 2017.

12. BASIC EARNINGS PER UNIT

The basic earnings per unit during the six months ended 30 June 2018 is calculated by dividing the profit for the period, before distribution to unitholders of HK\$4,722,327,000 (2017: HK\$4,601,210,000) with the weighted average number of units of 5,837,842,486 (2017: 5,812,984,636) 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 2018 and 2017.

There were no diluted potential units during the six months ended 30 June 2018 and 2017, therefore the diluted earnings per unit has not been presented.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

13. INVESTMENT PROPERTIES

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	76,704,000	66,841,500
Additions during the period/year	6,862	12,349
Increase in fair value during the period/year	4,033,138	9,850,151
At the end of the period/year	80,744,000	76,704,000

The fair value of the Group's investment properties at 30 June 2018 and 31 December 2017 has been arrived at on the basis of valuation carried out by Colliers International (Hong Kong) Ltd and Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group, respectively. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The capitalisation rates for the retail and office accommodation range from 3.75% to 4.25% (31 December 2017: 3.75% to 4.25%) and 3.6% to 4.0% (31 December 2017: 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 30 June 2018 and 31 December 2017 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 2018, certain investment properties with total fair value of HK\$48,527,000,000 (31 December 2017: HK\$46,161,000,000) have been pledged as security for credit facilities as detailed in note 18.

14. NOTES RECEIVABLE

As at 30 June 2018, the Group held unsecured bonds with aggregate carrying amounts of HK\$220,314,000 (31 December 2017: HK\$220,531,000), which are denominated in United States dollar with nominal values ranging from US\$1,200,000 to US\$7,640,000 (31 December 2017: 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 2017: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (31 December 2017: February 2021 to May 2024).

15. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Trade receivables	16,248	24,646
Deferred rent receivables	180,529	183,291
Deposits, prepayments and other receivables	85,425	86,973
	282,202	294,910

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 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
0 – 3 months	16,248	24,646

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$16,248,000 (31 December 2017: HK\$24,646,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

16. TIME DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Cash on hand	–	2
Cash at bank	473,587	412,887
Time deposits with original maturity of three months or less	935,416	777,500
	1,409,003	1,190,389

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Time deposit with original maturity over three months but not exceeding one year	200,000	–

Bank balances carry interest at market rate of 0.001% to 0.31% per annum (31 December 2017: 0.001% to 0.31% per annum). Time deposits with original maturity of three months or less carry interest at market rates ranging from 1.50% to 2.775% per annum (31 December 2017: 0.95% to 1.975% per annum). Time deposit with original maturity over three months but not exceeding one year carries interest at market rate of 2.91% per annum (31 December 2017: nil).

17. TRADE AND OTHER PAYABLES

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Trade payables	93,446	103,854
Rental received in advance	24,356	24,502
Other payables	254,968	246,218
Accrued stamp duty	963,475	963,475
	1,336,245	1,338,049

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2017: 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 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
0 – 3 months	93,446	103,854

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For the six months ended 30 June 2018

18. SECURED BANK BORROWINGS

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Secured bank borrowings	9,950,000	10,225,000
Loan front-end fees	(42,114)	(52,377)
	9,907,886	10,172,623
The maturity of the secured bank borrowings is as follows:		
Within one year	4,142,590	–
More than one year but not more than two years	–	4,413,126
More than two years but not exceeding five years	5,765,296	5,759,497
	9,907,886	10,172,623

On 20 April 2018, the Group early prepaid an amount of HK\$275,000,000 (2017: 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 2018, the outstanding secured bank borrowings comprise the followings:

- (i) HK\$4,150,000,000 (31 December 2017: HK\$4,425,000,000) 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 2017: 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\$48,527,000,000 as at 30 June 2018 (31 December 2017: HK\$46,161,000,000) 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.

19. MEDIUM TERM NOTES

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Medium term notes	5,124,888	4,636,866
Origination fees	(23,427)	(24,812)
	5,101,461	4,612,054

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 2018, the outstanding medium term notes comprised of the followings:

Notional amount	Maturity	Interest rate (p.a.)	Interest period
HK\$200,000,000	May 2020	2.85% ⁽ⁱ⁾	Annually
HK\$643,000,000	March 2022	3-month HIBOR plus 1.275%	Quarterly
US\$386,400,000	January 2023	3.75% ⁽ⁱⁱ⁾	Semi-annually
HK\$200,000,000	October 2024	2.75%	Annually
HK\$775,000,000	June 2025	2.85%	Annually
HK\$275,000,000	April 2028	3.73%	Quarterly

- (i) The fixed rate of 2.85% per annum is swapped to floating rate at 1-month HIBOR plus 0.67% per annum by the use of an interest rate swap as mentioned in note 20.
- (ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps as mentioned in note 20.

The carrying amounts of the medium term notes approximate their fair values.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

20. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Non-current assets		
Cash flow hedges – interest rate swaps	80,841	36,587
Fair value hedge – interest rate swap	296	–
	81,137	36,587
Non-current liabilities		
Cash flow hedges – cross currency swaps	784	17,674

The Group entered into cross currency swap contracts of a total notional amount of US\$386,400,000 with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), 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 notes have similar terms and the Manager considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

As at 30 June 2018 and 31 December 2017, major terms of the cross currency swaps qualifying as cash flow hedges are set out below:

Notional amount	Maturity	Exchange rate	Interest rate (p.a.)	Interest period
US\$200,000,000	January 2023	HK\$7.7598: US\$1	3.75%	Semi-annually
US\$100,000,000	January 2023	HK\$7.76: US\$1	3.75%	Semi-annually
US\$50,000,000	January 2023	HK\$7.7613: US\$1	3.75%	Semi-annually
US\$36,400,000	January 2023	HK\$7.7541: US\$1	3.75%	Quarterly

As at 30 June 2018 and 31 December 2017, the Group entered into interest rate swap contracts of a total notional amount of HK\$3,450,000,000 (31 December 2017: HK\$3,450,000,000), out of which a total notional amount of HK\$1,900,000,000 (31 December 2017: HK\$1,900,000,000) were entered with HSBC, 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 and qualified as cash flow hedges.

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2018 and 31 December 2017, major terms of the interest rate swaps qualifying as cash flow hedges are set out below:

Notional amount	Maturity	Floating interest rates (p.a.)	Fixed interest rates (p.a.)	Interest period
HK\$1,550,000,000	June 2021	HIBOR	1.42% to 1.86%	Monthly
HK\$1,900,000,000	June 2021	HIBOR + 0.95%	2.20% to 2.635%	Monthly

During the six months ended 30 June 2018, the gain in change in fair values of the cross currency swaps and interest rate swaps under cash flow hedge amounting to HK\$51,173,000 (six months ended 30 June 2017: loss on changes of HK\$82,168,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$4,325,000 (six months ended 30 June 2017: HK\$13,547,000) 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.

During the six months ended 30 June 2018, the Group entered into an interest rate swap contract to convert the fixed rate under the medium term notes as mentioned in note 19(i) to floating rate of 1-month HIBOR plus 0.67% per annum with HSBC. The interest rate swap qualifying as fair value hedge has a maturity date in May 2020, the same date as the corresponding medium term notes. The loss in change in fair values of the interest rate swap under fair value hedge amounting to HK\$190,000 has been recognised directly in the condensed consolidated income statement.

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.

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
As at 1 January 2017 (audited)	497,975	–	497,975
Charge (credit) to consolidated income statement during the year	40,766	(130)	40,636
As at 31 December 2017 (audited)	538,741	(130)	538,611
Charge (credit) to condensed consolidated income statement during the period	40,526	(689)	39,837
As at 30 June 2018 (unaudited)	579,267	(819)	578,448

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22. NUMBER OF UNITS IN ISSUE

	Number of units	HK\$'000
As at 1 January 2017 (audited)	5,798,237,327	24,152,429
Units issued for settlement of Manager's fee	24,790,793	125,787
As at 31 December 2017 (audited)	5,823,028,120	24,278,216
Units issued for settlement of Manager's fee	11,870,272	66,118
As at 30 June 2018 (unaudited)	5,834,898,392	24,344,334

On 1 March 2018, 11,870,272 units at HK\$5.57 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2017 to 31 December 2017.

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 2018 of HK\$64,455,513,000 (31 December 2017: HK\$60,351,242,000) by the number of units in issue of 5,834,898,392 units as at 30 June 2018 (31 December 2017: 5,823,028,120 units).

24. NET CURRENT LIABILITIES

At 30 June 2018, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$5,143,949,000 (31 December 2017: HK\$1,268,914,000).

25. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2018, the Group's total assets less current liabilities amounted to HK\$75,901,502,000 (31 December 2017: HK\$75,692,204,000).

26. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2018, 11,870,272 units (six months ended 30 June 2017: 13,761,193 units) were issued as payment for the Manager's fee for the period from 1 July 2017 to 31 December 2017, amounting to HK\$66,118,000 (six months ended 30 June 2017: HK\$61,926,000).

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 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Within one year	2,316,550	2,172,249
In the second to fifth year inclusive	3,196,723	2,973,286
Over five years	208,867	169,941
	5,722,140	5,315,476

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\$94,135,000 (six months ended 30 June 2017: HK\$41,377,000) 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 2018 HK\$'000 (unaudited)	At 31 December 2017 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	39,101	–

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29. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Rental income			
The Great Eagle Properties Management Company, Limited	(a)	3,608	3,150
Eagle Asset Management (CP) Limited	(a)	411	270
Eagle Property Management (CP) Limited	(a)	2,849	2,207
Best Come Limited	(a)	7,421	7,421
Interest income			
HSBC Group ^{1, 3}	(b)	1,039	967
Building management fee income			
The Great Eagle Properties Management Company, Limited	(a)	442	422
Eagle Asset Management (CP) Limited	(a)	39	11
Eagle Property Management (CP) Limited	(a)	353	331
Best Come Limited	(a)	906	862
Building management expenses and car park operating expenses			
The Great Eagle Properties Management Company, Limited	(a)	133,175	121,903
Longworth Management Limited	(a)	25,371	24,535
Property and lease management service fee			
Eagle Property Management (CP) Limited	(a)	38,961	35,790
Rental commission			
Eagle Property Management (CP) Limited	(a)	10,218	13,270
Knight Frank Petty Limited ³	(c)	322	–
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(a)	164	544
Keysen Engineering Company, Limited	(a)	506	63
The Great Eagle Properties Management Company, Limited	(a)	3	2

29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Repairs and maintenance and renovations contracted to			
The Great Eagle Engineering Company Limited ³	(a)	173	5,770
Toptech Co. Limited ³	(a)	–	1,250
Keysen Engineering Company, Limited ³	(a)	654	1,044
The Great Eagle Properties Management Company, Limited ³	(a)	3	2
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)	10	23
Clever Gain Investment Limited	(a)	147	138
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited ³	(b)	6,847	6,013
Best Come Limited	(a)	62	143
HSBC Group ^{1, 3}	(b)	74	72
Manager's fee			
Eagle Asset Management (CP) Limited	(a) & (d)	141,211	127,723
Finance costs			
Hang Seng Bank Limited ³	(b)	106,569	89,119
The Hongkong and Shanghai Banking Corporation Limited ³	(b)	3,731	3,952
Valuation fee			
Knight Frank Petty Limited ³	(c)	17	95
Colliers International (Hong Kong) Limited ³	(c)	84	–

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Amount due from			
The Great Eagle Properties Management Company, Limited	(a) & (e)	41,813	48,674
Longworth Management Limited	(a) & (e)	15,311	15,311
Toptech Co. Limited	(a) & (e)	2,621	708
Amount due to			
Eagle Property Management (CP) Limited	(a) & (e)	26,053	15,065
Eagle Asset Management (CP) Limited	(a) & (e)	141,211	132,235
The Great Eagle Engineering Company Limited	(a) & (e)	135	5,391
The Great Eagle Properties Management Company, Limited	(a) & (e)	34,494	36,278
Keysen Engineering Company, Limited	(a) & (e)	925	483
Longworth Management Limited	(a) & (e)	4,228	–
Deposits placed with the Group for the lease of the Group's properties			
Eagle Property Management (CP) Limited	(a) & (f)	559	392
The Great Eagle Properties Management Company, Limited	(a)	1,836	1,519
Best Come Limited	(a)	2,214	2,214
Eagle Asset Management (CP) Limited	(a)	117	117

29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) These companies are subsidiaries directly or indirectly held by Great Eagle Holdings Limited, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates² of the Trustee.
- (c) This company is the principal valuer of Champion REIT or its associates².
- (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 months period ended 30 June 2018 and 30 June 2017.
- (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\$1,247,000 (31 December 2017: HK\$952,000) 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 As defined in the REIT Code.

³ Connected party transactions as defined in the REIT Code.

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).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets/ (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)		
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	(784)	(17,674)	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	81,137	36,587	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 2018

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	98.8%	48,527.0
Langham Place Office Tower	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	703,000	703,000	98.3%	9,670.0
Langham Place Mall	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	22,547.0

Performance Table

	2018 (unaudited)	2017 (unaudited)	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)
As at 30 June:					
Net asset value (HK\$'000)	64,455,513	54,420,433	49,848,955	47,295,431	44,987,316
Net asset value per unit (HK\$)	11.05	9.36	8.62	8.21	7.85
The highest traded price during the period (HK\$)	5.86	5.29	4.38	4.59	3.83
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\$)	5.19	4.18	3.35	3.57	3.25
The highest discount of the traded price to net asset value	53.0%	55.3%	61.1%	56.5%	58.6%
For the six months ended 30 June:					
Distribution yield per unit ²	2.4%	2.4%	2.5%	2.2%	2.9%
Annualized distribution yield per unit	5.1%	4.7%	5.3%	4.7%	6.1%
Net profit yield per unit ³	15.5%	15.9%	7.4%	6.4%	0.7%
Annualized net profit yield per unit	31.1%	31.9%	14.9%	12.8%	1.4%

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\$0.1253 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2018 over the traded price of HK\$5.21 as at 29 June 2018.
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 2018 over the traded price of HK\$5.21 as at 29 June 2018.

ChampionREIT

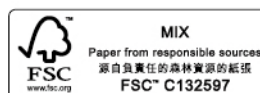
冠君產業信託

3008 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道23號鷹君中心3008室

Tel 電話 (852) 2879 1288 Fax 傳真 (852) 2827 1338

www.ChampionReit.com



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