

Champion Our Wellness

Annual Report 2018



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.



Champion Our Wellness

This annual report is designed with creative motions of shadow reflecting diverse and colourful lifestyles beyond our work life. The idea echoes the vision of Champion REIT – to go beyond managing its premium office and retail spaces by bringing wellness to the forefront. We create favourable communities where our tenants, customers and staff “champion their wellness” in order to achieve work-life balance and fulfilment in life. This report highlights our efforts in building a healthy and inspiring environment while achieving sustainable growth for our stakeholders.

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

Timeline of Significant Events

2018

16
AUG

Announcement of 2018 Interim Results

5
OCT

Payment of 2018 Interim Distribution

Announcement of 2018 Final Results

21
FEB

Closure of Register of Unitholders
for 2018 Final Distribution

6-9
MAY

Payment of 2018 Final Distribution

17
MAY

Closure of Register of Unitholders
for Annual General Meeting

27-30
MAY

Annual General Meeting

30
MAY



Five Year Financial Summary

For the year ended 31 December

2014	2015	2016	2017	2018	PROFIT (HK\$ MIL)
\$2,080	\$2,063	\$2,299	\$2,431	\$2,677	Total Rental Income
(\$280)	(\$279)	(\$272)	(\$265)	(\$272)	Net Property Operating Expenses
\$1,800	\$1,784	\$2,027	\$2,166	\$2,405	Net Property Income
2014	2015	2016	2017	2018	DISTRIBUTIONS (HK\$)
\$1,234	\$1,212	\$1,408	\$1,487	\$1,611	Distributable Income (mil)
\$1,171	\$1,146	\$1,331	\$1,413	\$1,530	Distribution Amount (mil)
\$0.2035	\$0.1983	\$0.2292	\$0.2424	\$0.2617	Distribution per Unit
2014	2015	2016	2017	2018	VALUATION (HK\$)
\$62,438	\$64,783	\$66,842	\$76,704	\$83,135	Gross Value of Portfolio (mil)
\$8.06	\$8.40	\$8.72	\$10.36	\$11.42	Net Asset Value per Unit
2014	2015	2016	2017	2018	FINANCIAL RATIOS
13.5%	13.5%	11.8%	10.9%	10.2%	Net Expense Ratio
94.8%	94.5%	94.5%	95.0%	95.0%	Payout Ratio
23.1%	22.1%	21.7%	18.9%	17.6%	Gearing Ratio
2014	2015	2016	2017	2018	OPERATIONAL STATISTICS
75.4%	91.2%	95.9%	94.2%	99.1%	Three Garden Road Office Occupancy
\$77.53	\$75.39	\$78.20	\$92.52	\$98.61	...and Passing Rent (HK\$ psf)
100.0%	100.0%	100.0%	97.1%	100.0%	Langham Place Office Occupancy
\$35.87	\$37.50	\$39.66	\$40.79	\$42.68	...and Passing Rent (HK\$ psf)
100.0%	100.0%	100.0%	100.0%	100.0%	Langham Place Retail Occupancy
\$165.44	\$174.54	\$178.74	\$176.71	\$184.28	...and Passing Rent (HK\$ psf)

Chairman's Report to Unitholders



Another record year in terms of distributable income

Hong Kong office market made another robust performance amidst intensifying geopolitical uncertainties and a volatile stock market in 2018. The situation was backed by a continued tight vacancy situation in Central and the city's office rental reached another record level. Yet, after getting off with a strong start in the beginning of 2018, the local retail market retreated as a result of deepening US-China trade tensions, which have brought about RMB depreciation and economic slowdown in China since the second quarter of 2018. The lacklustre retail sentiments were partly offset following the launch of two mega infrastructure projects, namely the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, which

stimulated further growth in tourist arrivals. Consequently, Hong Kong retail market recorded a sales growth of 8.8% for 2018.

With a balanced and complementary nature of property portfolio, the Trust posted in 2018 another record year in terms of distributable income, which went up 8.3% to HK\$1,611 million, compared with HK\$1,487 million in 2017. Distribution per unit ("DPU") rose 8.0% to HK\$0.2617 (2017: HK\$0.2424).

Total rental income of the Trust for 2018 was HK\$2,677 million, an increase of 10.1% (2017: HK\$2,431 million). Rentals grew across the board for all the properties, with Three Garden Road achieving the highest growth. Our office portfolio held up well and continued to enjoy positive rental reversion. The buoyant tenant sales performance



The complementary nature of the portfolio should facilitate us to deliver a steady net property income growth in 2019.

Dr. LO Ka Shui

Chairman



of Langham Place Mall contributed to the solid growth in turnover rent of the Mall. Net property operating expenses rose 2.7% to HK\$272 million, mainly due to a rise in lease management service fee resulted from higher rental income. Net property income amounted to HK\$2,405 million, up 11.0%.

The Trust continued to take a proactive approach in liability management and closely monitored the interest rate market. In 2018, the Trust further raised the fixed rate debt portion to 54.2% as at 31 December 2018 (2017: 50.0%). A total amount of HK\$925 million of fixed rate notes were issued through private placements under the Medium Term Note Programme. In consequence of higher fixed rate debt portion and rising HIBOR, cash finance cost of the Trust increased to HK\$404 million in 2018.

The appraised value of the Trust's properties as at 31 December 2018 was HK\$83.1 billion, which went up by 8.4% compared with HK\$76.7 billion as at 31 December 2017. The increase was driven mainly by higher rental rate assumptions. Net asset value per unit as at 31 December 2018 was HK\$11.42, up 10.2% year-on-year from HK\$10.36 in 2017. The gearing ratio decreased to 17.6% as at 31 December 2018 from 18.9% as at 31 December 2017.

Geopolitical tensions in 2018 are generally viewed to continue in 2019, with uncertainties mainly in the global macroeconomic environment. The intensifying US-China trade conflict will potentially impact the Chinese economic activities, and may inevitably pose a challenging year for the Hong Kong

economy. Likewise, volatilities in the financial market may delay business expansion plans for financial institutions and a potential economic slowdown may dampen consumer confidence in the retail market.

Though there are uncertainties in 2019, the fundamentals of the Trust remain stable, especially for the office portfolio. While risks of retail marketing are rising, we believe that the influx of visitors brought about by the new infrastructure might mitigate certain downside factors. Overall, the complementary nature of the portfolio should facilitate us to deliver a steady net property income growth in 2019.

LO Ka Shui
Chairman

CEO's Review



Positive rental reversion continues to drive growth

THREE GARDEN ROAD

2018 saw a harvesting year for Three Garden Road, with occupancy and market rental reaching historic highs. The tight supply environment continued to benefit Central office landlords. The anticipated redevelopment of an office building in the district made overall office availability in Central District even tighter. Office demand remained to be dominated by Chinese corporations, though such demand has turned subdued as the year drew to a close.

The property was almost fully-let. After reaching a new high in the middle of 2018, occupancy further edged up to another record of 99.1% as at 31 December 2018. The higher average occupancy together with the

higher passing rents were the key growth drivers for the property in 2018. Total rental income amounted to HK\$1,390 million in 2018, increased by 12.9% compared with HK\$1,232 million in 2017.

Net property income of the property surged 14.2% to HK\$1,270 million, driven by solid rental income growth and improvement in net property operating expenses ratio to 8.6% (2017: 9.7%). Net property operating expenses went up slightly by 0.7% to HK\$120 million. The savings in net building management fees, which were attributable to improved occupancy and decreased rental commission following a lower tenancy turnover, were moderated by the increase in lease management service fee and government rent.

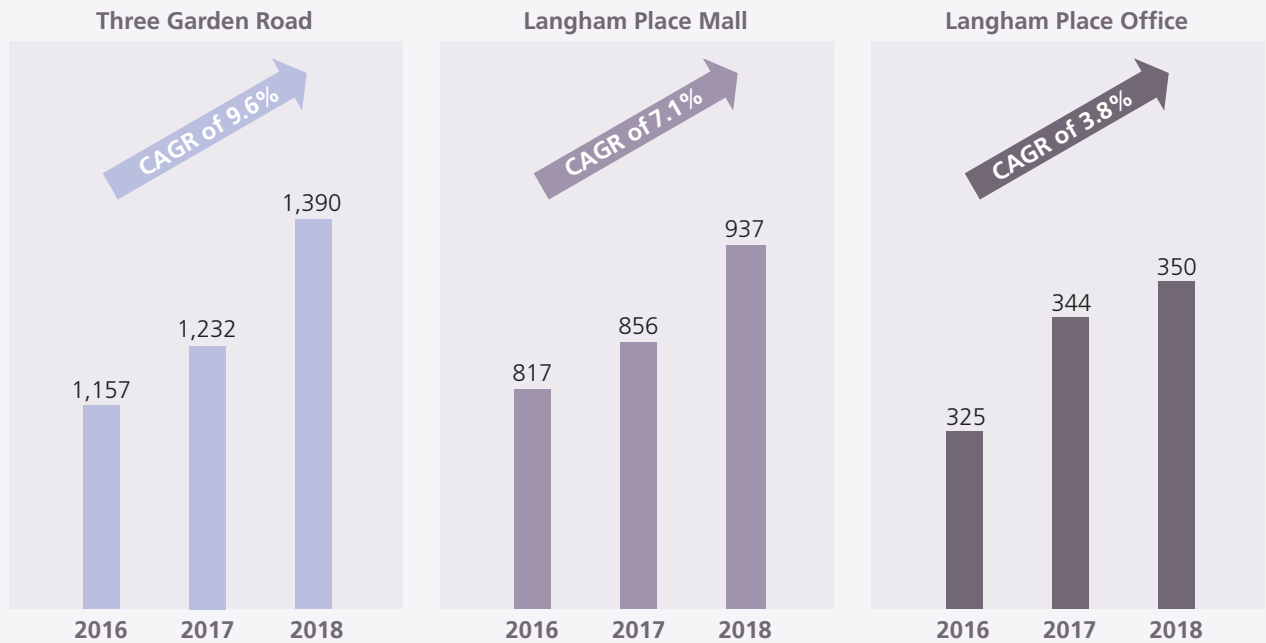


2018 saw a harvesting year for Three Garden Road, with occupancy and market rental reaching historic highs.

Ms. WONG Ka Ki, Ada
Chief Executive Officer



RENTAL INCOME
(HK\$million)



CEO's Review

While the market recorded historically high market rent, Three Garden Road kept breaking record rent in the year under review. The latest rents achieved for the property exceeded HK\$140 per sq. ft. (based on lettable area), well above the passing rent of HK\$98.61 per sq. ft. (based on lettable area) as at 31 December 2018 (2017: HK\$92.52 per lettable sq. ft.).

LANGHAM PLACE OFFICE TOWER

The positioning of Langham Place Office Tower as a lifestyle hub was further strengthened. The strategic location of the property at the heart of Mong Kok, where different forms of public transport were easily accessible, continued to be highly valued by beauty and healthcare sectors. We continued to see expansion and new demand from beauty and medical tenants, and that the proportion of lifestyle-related tenants, including fitness centre, beauty, healthcare and medical tenants increased to 58% as at 31 December 2018. The further shifting to lifestyle tenants could thus mitigate the risk of uncertainties in sectors involved in global trading.

Total rental income of the property amounted to HK\$350 million in

2018, which increased by 1.7% (2017: HK\$344 million), mainly attributable to positive rental reversion. Passing rents improved to HK\$42.68 per sq. ft. (based on gross floor area) as at 31 December 2018, which still represented a gap to the latest achieved rents of over HK\$50 per sq. ft. (based on gross floor area). The property was fully occupied as at 31 December 2018.

Net property operating expenses went up by 8.4% to HK\$28 million, mainly due to a rise in rental commission of HK\$2 million. Net property income was HK\$322 million, which increased by 1.2% (2017: HK\$318 million).

LANGHAM PLACE MALL

Driven by increase in tourist arrivals, Hong Kong retail sales recorded 8.8% growth in 2018 though the growth momentum has significantly slowed down in the second half in view of RMB depreciation and rising tensions of the US-China trade dispute. With our conscious efforts in active tenant management and robust marketing campaign, Langham Place Mall continued to outperform the market with tenant sales increased by 17.6%.

Thanks to synergies generated by Langham Place Office Tower's

lifestyle-related tenants, beauty tenants at the retail mall continued to lead the growth. Total rental income increased by 9.5% to HK\$937 million in 2018, mainly driven by growth in turnover rent to HK\$187 million (2017: HK\$116 million). Positive rental reversion drove up passing base rents to HK\$184.28 per lettable sq. ft. as at 31 December 2018, an increase of 4.3%.

Net property income increased to HK\$813 million, which climbed 10.5% from HK\$736 million in 2017 on higher rental income. Net property operating expenses increased by 3.5% to HK\$124 million, mainly due to higher net building management expenses and lease management service fee.

OUTLOOK

Against the uncertain economic backdrops, it is considered that the growth trend of the Trust's office portfolio will be sustainable in 2019. In the case of Three Garden Road and Langham Place Office Tower, the market rents are well above the passing rents. Given that we are well-prepared for potential disruptions and have already pre-negotiated all major expiries in 2019, it is anticipated that the office portfolio will deliver a stable growth thanks to positive rental

	2018 HK\$'000	2017 HK\$'000	Change
THREE GARDEN ROAD			
Rental Income	1,390,473	1,231,542	+12.9%
Net Operating Expenses	120,003	119,172	+0.7%
Net Property Income	1,270,470	1,112,370	+14.2%
LANGHAM PLACE OFFICE TOWER			
Rental Income	349,777	343,939	+1.7%
Net Operating Expenses	27,881	25,728	+8.4%
Net Property Income	321,896	318,211	+1.2%
LANGHAM PLACE MALL			
Rental Income	936,996	855,540	+9.5%
Net Operating Expenses	124,039	119,807	+3.5%
Net Property Income	812,957	735,733	+10.5%

reversion. Both office properties are expected to maintain a high level of occupancy in 2019 despite possible fluctuations during the year.

The retail market, on the other hand, could be vulnerable to an economic downturn. The Hong Kong retail sales growth has started to slow down in the second half of 2018 at the back of RMB depreciation and market uncertainties. With a high base effect in a sluggish market environment, the sales growth of Langham Place Mall is unlikely to repeat in 2019. This would potentially affect the turnover rent portion. To alleviate the situation, we will continue

to optimise the tenant mix and to introduce more appealing and cutting-edge events to strengthen the Mall's attractiveness to our target customers.

While it is cognizant that the US interest rate hike cycle is likely to come to an end this year, interest expense of the Trust is expected to edge up in 2019. Refinancing of a bank loan maturing this year is in progress with an aim of enhancing the Trust's credit profile. We will continue to monitor the market environment with the intention to improve our liability management programme.

We will continue to drive performance of the existing property portfolio, and to actively look for portfolio rebalancing opportunity to enhance unitholders' value. The macro uncertainties may yield growth opportunities for the Trust globally. Market volatilities could also bring about potentiality that fit the Trust's investment strategy on income producing commercial properties in prime locations.

WONG Ka Ki, Ada
Chief Executive Officer

Awards and Achievements

The Trust was honoured with a number of awards and accolades by renowned professional associations, reflecting the market’s recognition of our excellent performance over the year. The Trust was bestowed Best Investor Relations Company by Hong Kong Investor Relations Association and Listed Company Award of Excellence by Hong Kong Economic Journal.



CHAMPION REIT

Directors Of The Year Awards 2018 – Listed Companies

Executive Director: Ada Wong

The Hong Kong Institute of Directors

Best IR by Chairman/CEO, Best Investor Relations Company and Best Investor Relations Officer

Hong Kong Investor Relations Association

Best Investor Relations Company, Asia’s Best CEO and Best Investor Relations Professional

Corporate Governance Asia

Listed Company Award of Excellence

Hong Kong Economic Journal

Top Listed Enterprise Awards 2018

Bloomberg Businessweek Chinese Edition

2018 Best Annual Reports: Excellence Awards for Small Size Entries

Hong Kong Management Association

International ARC Award: Traditional Annual Report – Gold Award

MerComm. Inc

2018 Annual Report: Illustrations – Gold Award

The International Annual Report Design Awards

Best in ESG Awards and Best in Reporting Awards

BDO and South China Morning Post





THREE GARDEN ROAD

Indoor Air Quality Certificate – Excellent Class
Environmental Protection Department

**Outstanding Security Services
– Industrial/Commercial Property Award in the
Hong Kong Island Best Security**
Hong Kong Police Force

Wastewi\$e Certificate – Excellence Level
Hong Kong Green Organization Certification

Tree Conservation Scheme – Certificate
Hong Kong Environmental Protection Association

**Quality Water Supply Scheme for Buildings
– Fresh Water (Management System) – Gold**
Water Supplies Department

HK No Air-Con Night 2018 – Certificate
Green Sense

Hong Kong Green Organization
Environmental Campaign Committee

**The Best Landscape Award 2018
– Large-scale non-domestic Property – Merit**
Leisure and Cultural Services Department

Charter on External Lighting – Platinum Award
Environment Bureau

**Power Smart Energy Saving Contest
– Progress Award (Property Management)**
Friends of the Earth

LANGHAM PLACE

**Marketing Excellence Awards 2018 “Excellence in Design”,
“Excellence in Event Marketing” Silver Awards**
Marketing Magazine

**My Favourite Shopping Mall Awards 2018-19 “Top 10 My
Favourite Shopping Mall Awards”, “Top 25 My Favourite
Shopping Mall Events”**
Hong Kong Economic Times

**Best Shopping Mall Awards 2018 “Top Ten Best Shopping
Mall”**
Next Mobile

Digital Ex 2018 Awards “Top Ten Mall”
Metro Finance Radio Station

**Best Property Safety Management Award (Best Safety
Enhancement Program) – Silver Award**
Occupational Safety and Health Council

2017 Security Services Best Training – Gold Award
Vocational Training Council and Hong Kong Police Force
(Crime Prevention Bureau)

Kowloon West Best Security Services Award 2017
Kowloon West Regional Crime Prevention Office

Hong Kong Green Organization
Environmental Campaign Committee

**2017 Hong Kong Awards for Environmental Excellence –
Property Management (Commercial & Industrial) – Merit**
Environmental Campaign Committee

**Rank Number 6 of Top 10 Most Influential HK Corporations
in 2017**
Sina Weibo

Board of Directors

The Board of Eagle Asset Management (CP) Limited, the REIT Manager, principally oversees the day-to-day management of the REIT Manager's affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board will also review major financial decisions and the performance of the REIT Manager. The Board currently consists of the Chairman, the Chief Executive Officer, one Non-executive Director and four Independent Non-executive Directors.

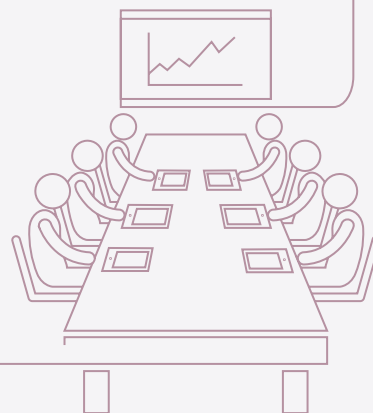


Dr. LO Ka Shui

Chairman and Non-executive Director

aged 72, 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**

Chief Executive Officer and Executive Director

aged 38, 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 titles of Directors Of The Year Awards – Listed Companies Executive Director by the Hong Kong Institute of Directors and 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.

Board of Directors



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 three 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, The Hang Seng University of Hong Kong, 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, a Professor of Practice (International Banking and Real Estate) of The Hong Kong Polytechnic 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 and an Adjunct Professor of The Hong Kong Polytechnic University. 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 and Executive Director 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 fifty years of experience in property development and investment.



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.

Board of Directors



Mr. HO Shut Kan

Independent Non-executive Director

aged 70, 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. Mr. Ho was an Executive Director and the Chief Executive Officer of Kerry Properties Limited and a director of Shang Properties, Inc.

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 (now known as Magnus Concordia Group 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.

Senior Management

The REIT Manager, Eagle Asset Management (CP) Limited, is charged with the responsibility of managing the assets of Champion REIT for the benefit of Unitholders. It is responsible for ensuring compliance with the applicable provisions of the Code on Real Estate Investment Trusts, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and other relevant legislation.

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



Ms. WONG Ka Ki, Ada

Chief Executive Officer

aged 38, Chief Executive Officer, Responsible Officer and Manager-In-Charge as defined under the Securities and Futures Ordinance, 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 and oversees the day-to-day operations. Additionally, 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.

Biographical information on Ms. Wong can be found on the page highlighting the board of directors, of which she is a member.

Ms. LUK Ka Ping, Amy

Investment and Investor Relations Director

aged 46, is responsible for identifying and evaluating potential investment opportunities, overseeing the capital structure and investor relations of Champion REIT. She has over 15 years of experience in the financial industry. Before joining the REIT Manager, Ms. Luk has been involved in equity research covering the Hong Kong real estate sector for over 10 years at various international financial institutions, making recommendations on equity investments.

Ms. Luk holds a Master of Business Administration from the University of Rochester and a Bachelor of Business Administration from the Hong Kong University of Science and Technology. She is a Chartered Financial Analyst. She was honoured with the title of Best Investor Relations Professional by Corporate Governance Asia.



Senior Management



Mr. LEUNG Kin Shan

Business Development Director

aged 34, Manager-In-Charge as defined under the Securities and Futures Ordinance for finance function, is also responsible for identifying and evaluating potential business development opportunities in line with the strategy of Champion REIT. He has over 10 years of experience in the finance industry. Prior to joining the REIT Manager, Mr. Leung worked at Standard Chartered and Citigroup's investment banking division in originating and executing capital markets and M&A transactions for clients across Asia.

Mr. Leung graduated from University of Michigan (Ann Arbor), with a Bachelor of Business Administration degree from Ross School of Business and a Bachelor of Arts degree from College of Literature, Science and the Arts.

Ms. LAU Yee Tong, Yvonne

Chief Operating Officer – Asset Management

aged 52, Responsible Officer and Manager-In-Charge as defined under the Securities and Futures Ordinance, is responsible for overseeing the management of Champion REIT's properties and formulating the business plans of Champion REIT's properties and supervising the property management team with a view to maximising rental income via active asset management. She has over 20 years of solid and all-rounded experience in leasing and asset management of commercial properties in Hong Kong and China. Before joining the REIT Manager, Ms. Lau was the Director of Asset Management for ARA Management Pte Ltd. She has also worked at other major property developers in Hong Kong such as Hysan, Sun Hung Kai and Wharf.

Ms. Lau holds a Master of Science degree in Real Estate from The University of Hong Kong, a Postgraduate Diploma in Arbitration and Mediation from the HKU School of Professional and Continuing Education ("HKU SPACE") and a Professional Diploma in Real Estate Administration (with Distinction) from HKU SPACE.



Mr. KWONG Chi Kwong

Chief Operating Officer – Risk Management



aged 59, Responsible Officer and Manager-In-Charge as defined under the Securities and Futures Ordinance, is responsible for overseeing the computer systems and establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the operation level for Champion REIT. Mr Kwong is also responsible for identifying, evaluating and prioritising risks arising from Champion REIT's operations. Mr. Kwong has more than 25 years of experience in the real estate industry.

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

Ms. SUNG Kar Wai, Rosana

Senior Finance Manager

aged 44, Manager-In-Charge as defined under the Securities and Futures Ordinance, is responsible for the financial reporting of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. Ms. Sung is also a Director of all special purpose vehicles of Champion REIT. With more than 20 years of accounting and audit experience, Ms. Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

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



Ms. FUNG Mei Sin, Pamela

Compliance Manager

aged 48, Manager-In-Charge as defined under the Securities and Futures Ordinance, is responsible for setting the internal policies and procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. She is also responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the trust administrative level for Champion REIT. She has more than 20 years compliance and corporate secretarial experience gained from various reputable listed companies and certified public accountants firms.

Ms. Fung holds a Bachelor of Arts (Hons) Degree in Business Studies from the University of Greenwich.

Mr. YUEN Chi Hang, Tony

Internal Audit Manager

aged 44, Manager-In-Charge as defined under the Securities and Futures Ordinance, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures the risk management and internal control systems of the REIT Manager function properly and provides internal audit reports to the Audit Committee of the Board of Directors on a regular basis. Prior to joining the REIT Manager, Mr. Yuen worked as an internal auditor at a well-recognised listed property company and has over 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

Mr. Yuen holds a Bachelor of Commerce degree in Professional Accounting from Macquarie University. He is a CPA (Aust.), Chartered Global Management Accountant and Associate Chartered Management Accountant.



* *Cut-off date of Board of Directors' and Senior Management's biographical details:
Bulk print date of the 2018 Annual Report, being 15 March 2019.*

Management Philosophy

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



ASSET MANAGEMENT STRATEGY

The REIT Manager, working closely with the Property Management Team, will proactively manage its properties to achieve the following:

Maximise Rental Income

Optimise the rental income from each tenancy and, where possible, augment rental income through additional floor area, asset enhancements or turnover rent.

High Occupancy Levels

Keep high occupancy levels through maintaining high quality service and technical standards, and by capitalising on the requirements of targeted tenant niches and actively managing tenancy expiries.

High Tenancy Renewal Rates

Maintain high tenancy renewal rates through proactive tenant relationship management and anticipation of future tenant needs. This will minimise rental losses due to downtime and lead to lower expenses and agency fees incurred for new tenancies.

A Quality and Diversified Tenant Base

Retain a quality tenant base built upon high covenant, multinational office occupiers and well recognised retail tenants in order to maintain a premium image for our properties and to minimise default rates.



ACQUISITION STRATEGY

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

Yield Accretion

Properties to be acquired should either have strong existing rental income or the potential for higher rental income.

Potential for Asset Growth

Macro economic factors and the potential for future changes in asset value will be assessed.

Tenant Characteristics

Rent and occupancy trends will be assessed with emphasis on good tenant retention/default rates.

Location and Accessibility

Properties that have convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.

Value-adding Opportunities

Opportunities to add value through renovation will be scrutinised. Other enhancements and proactive property management will also be assessed.

Building Specifications

The building specifications should be best of class. Other aspects such as building condition and compliance with regulations will also be examined.

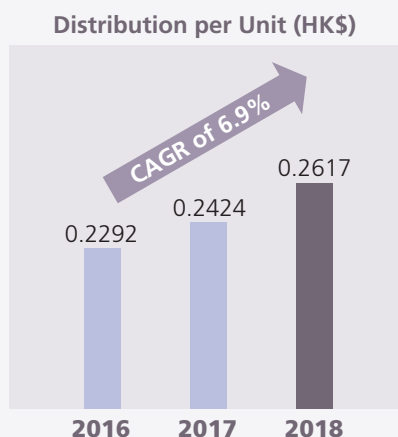
Financial Review

DISTRIBUTIONS

The total distribution amount of Champion REIT for the year was HK\$1,530 million, representing 8.3% growth compared with HK\$1,413 million for 2017. The total distribution amount is based on 95% of the Trust's distributable income.

The distribution per unit for the six months ended 31 December 2018 ("Final Distribution per Unit") was HK\$0.1367. This is subject to adjustment that may result from the issuance of any new units between 1 January 2019 and the record date. A further announcement informing Unitholders of any adjustment to the Final Distribution per Unit will be made in due course.

With an Interim Distribution per Unit of HK\$0.1250 and a Final Distribution per Unit of HK\$0.1367, the Total Distribution per Unit for 2018 amounted to HK\$0.2617 (2017: HK\$0.2424). Based on the closing unit price of HK\$5.36 recorded on 31 December 2018, the Total Distribution per Unit represents a distribution yield of 4.9%.



CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed during the following periods and during these periods, no transfer of Units will be effected:

- (i) To qualify for the distribution for the six months ended 31 December 2018

For the purpose of ascertaining the Unitholders' entitlement to the distribution for the six months ended 31 December 2018, the Register of Unitholders will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019, both days inclusive. The payment of the distribution for the six months ended 31 December 2018 will be made on Friday, 17 May 2019 to Unitholders whose names appear on the Register of Unitholders on Thursday, 9 May 2019.

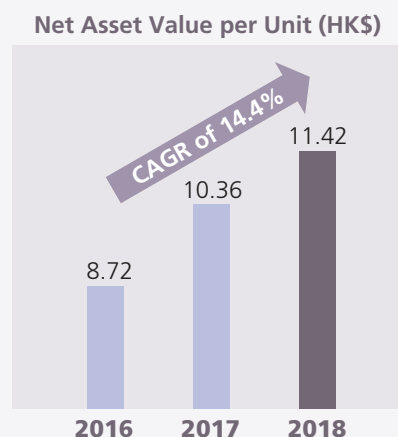
In order to qualify for the distribution for the six months ended 31 December 2018, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with Champion REIT's Unit Registrar,

Computershare Hong Kong Investor Services Limited ("Unit Registrar") 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 Friday, 3 May 2019.

- (ii) To attend and vote at the 2019 Annual General Meeting

For the purpose of ascertaining the Unitholders' entitlement to attend and vote at the 2019 Annual General Meeting to be held on Thursday, 30 May 2019 ("2019 AGM"), the Registers of Unitholders will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019, both days inclusive.

In order to be eligible to attend and vote at the 2019 AGM, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with the Unit Registrar for registration not later than 4:30 p.m. on Friday, 24 May 2019.



Financial Review

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, further raising the fixed rate debt portion while lowering the secured debt portion. The proportion of fixed rate debt increased to 54.2% (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 to HK\$404 million (2017: HK\$322 million). The average life of the Trust's outstanding debt was 2.8 years while the effective interest rate was 3.1% as at 31 December 2018. A secured bank loan with an outstanding amount of HK\$3.7 billion is due for repayment in 2019; refinancing arrangements with banks are now in progress.

The Trust's investment properties as at 31 December 2018 were appraised at a total value of HK\$83.1 billion, representing a 8.4% 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 17.6% as at 31 December 2018. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 21.7% (31 December 2017: 23.1%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$66.8 billion as at 31 December 2018, an increase of 10.6% compared to HK\$60.4 billion as at 31 December 2017.

The Net Asset Value per Unit as at 31 December 2018 was HK\$11.42. It represented a 113.1% premium to the closing unit price of HK\$5.36 as at 31 December 2018.

CASH POSITION

As at 31 December 2018, the Trust had total undrawn bank loan facilities of HK\$300 million and a

cash balance of HK\$1,600 million. With these financial resources, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

PLEDGE ASSETS

As at 31 December 2018, properties of Champion REIT with a fair value of HK\$49.9 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 31 December 2018, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the consolidated financial statements amount to HK\$20 million.

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

DEBT PROFILE

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

As at 31 December 2018

HK\$ million	Utilised facilities	Fixed rate debt ⁽³⁾	Floating rate debt ⁽³⁾
Secured Bank Loans	9,500	3,450	6,050
Medium Term Notes	5,541	4,698 ⁽⁴⁾	843
Total	15,041	8,148	6,893
Percentage		54.2%	45.8%

(1) All amounts are stated at face value

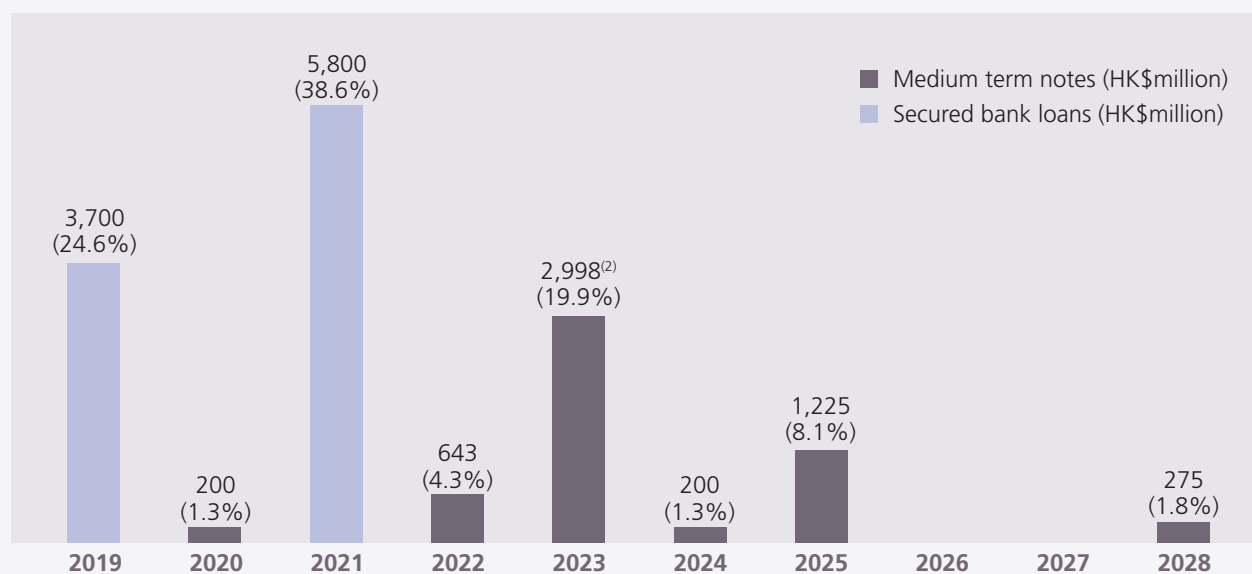
(2) All outstanding debt facilities were denominated in Hong Kong Dollars except for (4) below

(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

Outstanding Debt Maturity Profile ⁽¹⁾

As at 31 December 2018



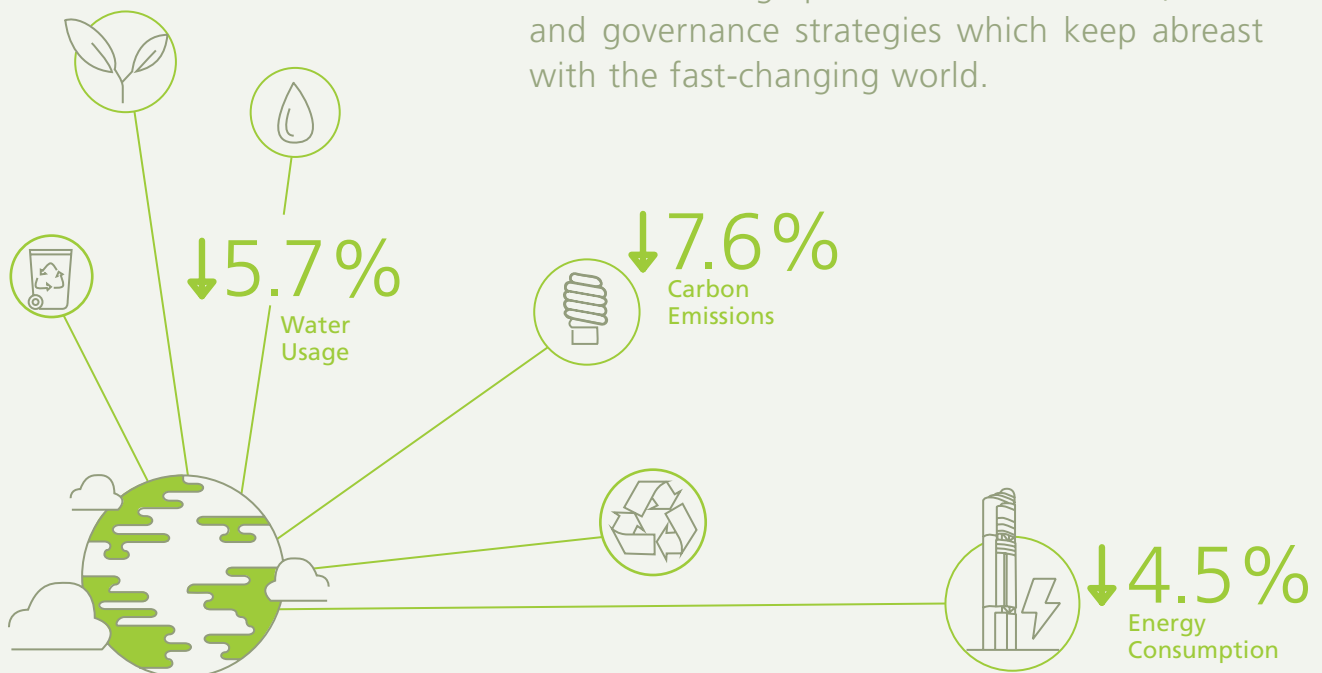
(1) All amounts are stated at face value

(2) After accounting for cross currency swaps

Sustainability Review



To assimilate sustainability into our business objectives, we take a proactive approach to devising up-to-date environmental, social and governance strategies which keep abreast with the fast-changing world.



VISION

Sustainability constitutes an integral part of our corporate culture – creating long-term values to our stakeholders, as well as enhancing harmony and synergy among our stakeholders and the community. To assimilate sustainability into our business objectives, we take a proactive approach to devising up-to-date environmental, social and governance (“ESG”) strategies which keep abreast with the fast-changing world. This report is prepared in accordance with the Stock Exchange of Hong Kong ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules.

Sustainability Policy

In 2018, the Trust launched an all-encompassing Sustainability Policy, providing a robust framework and direction to incorporate the ESG strategies into our organisational culture. Through the policy, it is our goal to maintain a high level of awareness and an overall well-being of our stakeholders.

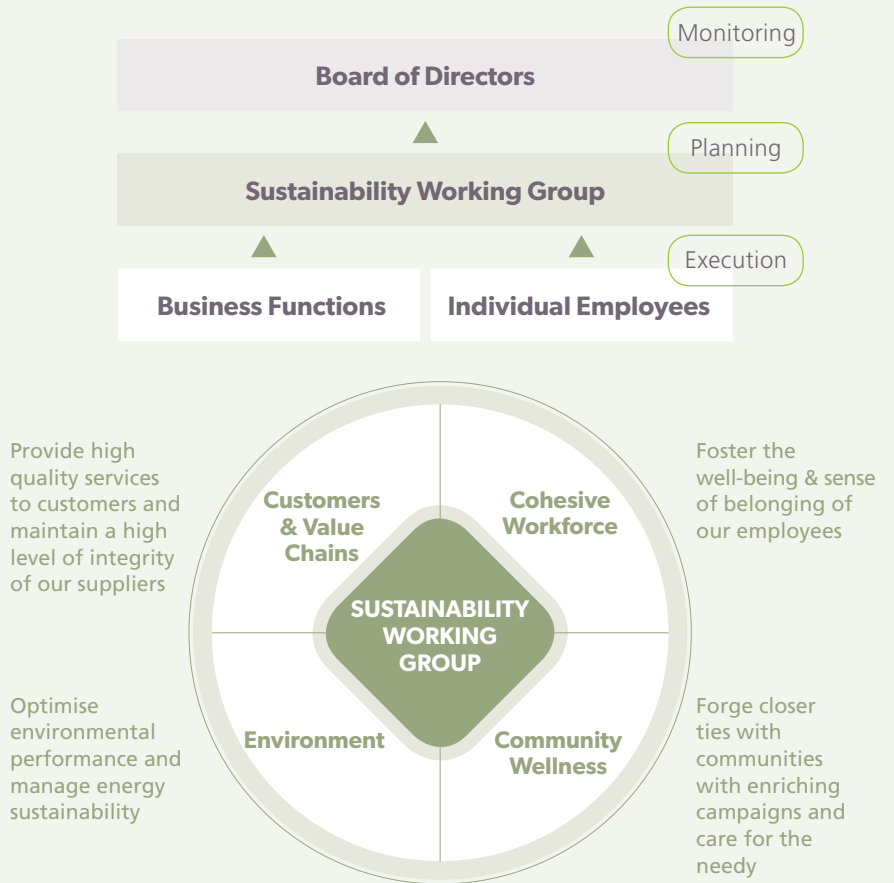
Sustainability Working Group

Our Sustainability Working Group comprises key functional areas, covering leasing, marketing, asset management, property management, investor relations and

corporate communications. The Group is responsible for providing overall strategic direction and evaluating the effectiveness of the Trust’s ESG performance. Chaired by the Chief Executive Officer, the working group reports the Trust’s strategy and its performance to the Board of Directors, which develops overarching strategies and oversees the sustainability of every facet of business.

ESG STRATEGIES

Our ESG strategies fall into four core aspects: customers and value chains, employees, environment and community. Our Sustainability Working Group enables the Trust to stay alert to and address sustainability impacts arisen from any corporate decisions and activities. The team conducts risk assessment regularly with an aim to set priorities of our material ESG issues.



Sustainability Review

Guiding Benchmarks

In recognition of our high standards of environmental, social and corporate governance, Champion REIT has been a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for three consecutive years. The Index serves as a local benchmark that acknowledges the outstanding sustainability performance of Hong Kong listed corporations.

Since 2018, Champion REIT has been participating in Global Real

Estate Sustainability Benchmark (“GRESB”) with an aim to enhance its ESG performance. The Trust will devise more concrete measures for enhancing the effectiveness of various ESG strategies.

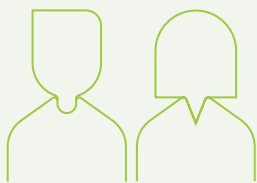
STAKEHOLDER ENGAGEMENT

In 2018, Champion REIT commissioned an independent consultancy to conduct a stakeholder engagement exercise to get a deeper understanding about the impact of our operations on

stakeholders, and to enhance the overall performance of our ESG strategies.

Stakeholder Groups

The engagement process is in line with the guidelines stipulated in Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong. Apart from reviewing the effectiveness of our ESG strategies, the findings of the engagement exercise are also significant for prioritising key material issues.

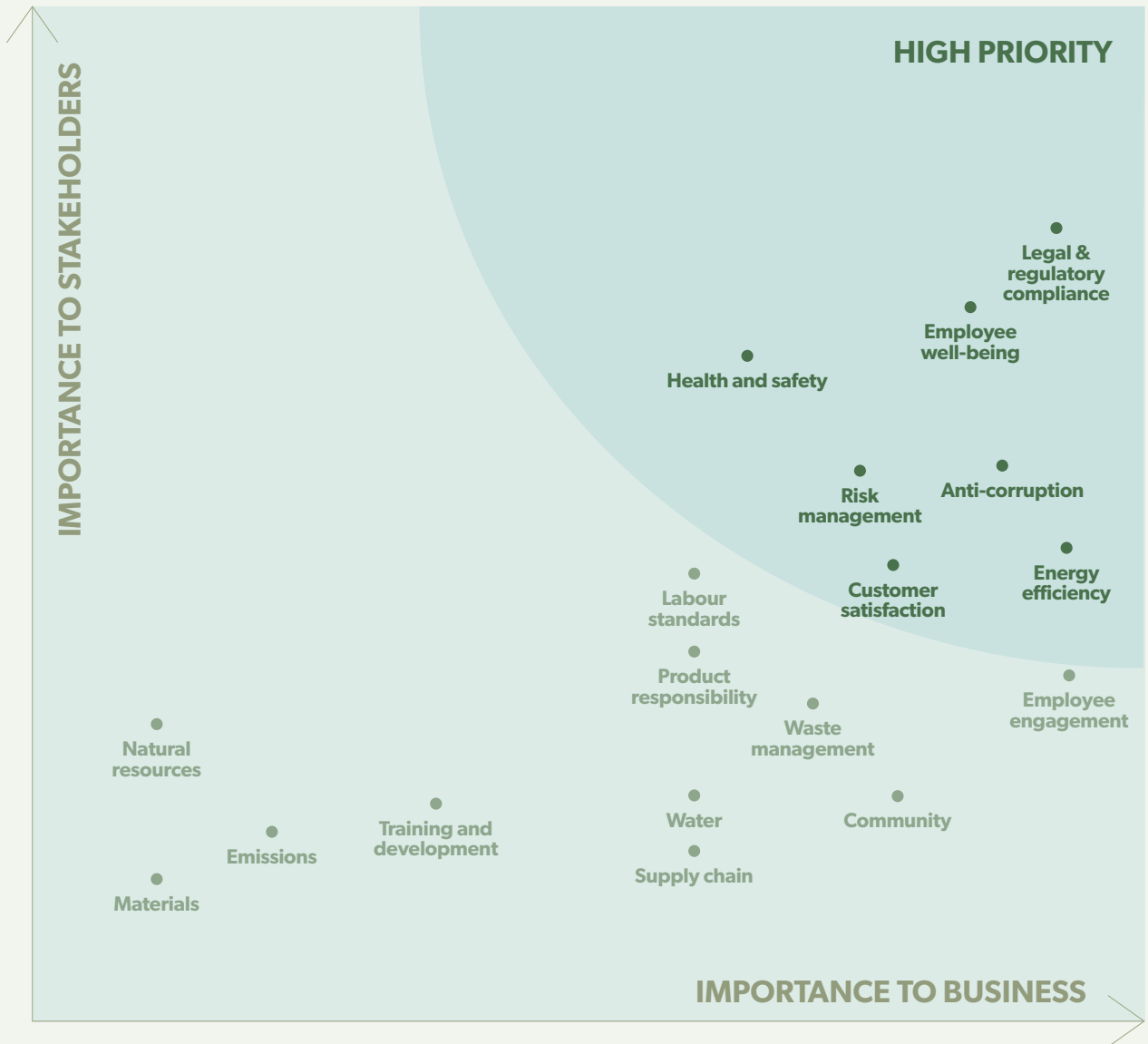
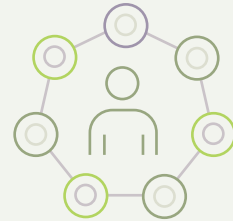


Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none"> • Senior management • Staff¹ 	<ul style="list-style-type: none"> • Unitholders • Investors and analysts • Tenants • Suppliers and business partners • Media • Non-governmental organisations (NGOs)
Engagement channels:	Focus groups, phone interviews and online survey

¹ “Staff” or “employees” in this report refers to the staff employed by the REIT Manager who are responsible for the management over the assets of Champion REIT. Champion REIT itself does not employ any staff. The REIT Manager delegates property and lease management, marketing and promotion projects to various service providers.

Materiality Review

A majority of stakeholders perceived that the overall ESG performance of Champion REIT is in line with industry standards. The material matrix below sums up the findings of this stakeholder engagement exercise. Seven critical aspects were identified as high priority issues.



Sustainability

Review

Stakeholder Suggestions and Our Response

We have responded to our stakeholders' recommendations raised during the engagement process. The following highlights our steps taken to address the material topics.



High Priority Issues	Stakeholder Groups Concerned	Our Response
Legal and regulatory compliance	All stakeholder groups	<p>Legal and regulatory compliance is a significant aspect that our stakeholders are mostly concerned about.</p> <p>While strictly complying with all legal requirements, we have also rigorously adhered to a high standard of ethics and integrity in our business operations. All REIT Manager's fellows, from our Board members, staff to suppliers, shoulder the responsibility of ensuring all business activities and operations are legally compliant. The Trustee oversees the activities of the REIT Manager in accordance with compliance with regulatory requirements. The REIT Manager ensures the Trust's assets are professionally managed in the interest of Unitholders. To learn more about our practices, please refer to the Corporate Governance Report.</p>
Employee well-being	Employees	<p>Internal stakeholders asked for enhancement of the staff well-being and a continual review of staff benefits.</p> <p>To enhance their sense of belonging and build a cohesive workforce, we keep developing a broad array of wellness and work-life balance initiatives, such as office chair yoga and Green Monday, which have enabled our staff to have fun together, as well as relax both their minds and bodies after work. We conduct annual performance reviews and regular meetings with employees to ensure that their feedbacks are considered in our staff well-being practices.</p>
Health & safety	All stakeholder groups	<p>Apart from conducting professional assessment timely and monitoring contractors closely, adequate and relevant guidelines, safety training and regular drills have been provided to our staff and service providers. Real-time advanced monitoring systems are in place to spot any potential risk. We also continue to carry out modernisation and safety enhancement for our facilities. Additionally, we communicate with tenants and customers proactively about the measures being done.</p>

High Priority Issues	Stakeholder Groups Concerned	Our Response
Anti-corruption	Investors and business partners	<p>Champion REIT enforces vigorous policies to ensure that all employees are strictly prohibited from soliciting, accepting or offering bribes or any other form of advantage. On top of that, anti-money laundering and counter-terrorist financing procedures are set out in compliance with guidelines from the Securities and Futures Ordinance. The Trust's Code of Conduct also outlines its expectations on its staff with regard to conflicts of interest and whistle-blowing procedures.</p>
Risk management	Investors and business partners	<p>To cater for the needs of the ever-changing environment, the Trust has identified a series of effective risk management and internal control systems.</p> <p>The Board ensures that sufficient and timely controls over the key business processes are properly implemented with regular reviews and updates through the Audit Committee. Besides, with clearly defined roles, our Chief Operation Officer – Risk Management has established regular assessments and early risk flagging mechanisms. We take a proactive approach in mitigating potential risks arisen from various aspects, such as compliance, financial, operational, cyber or reputational risks. To learn more about our risk management approach, please refer to the Risk Management and Internal Control Systems section of the Corporate Governance Report.</p>
Energy efficiency	Employees, tenants, investors	<p>We understand the importance of sustaining an environmentally friendly setting in both workplace and two flagship properties.</p> <p>The property management team has been actively reducing energy use through multiple means, including the adoption of Internet of Things (IoT) technology, system optimisation and participation of energy saving schemes organised by the Government and various green groups.</p>
Customer satisfaction	Tenants, employees	<p>Champion REIT always caters to the changing demand of customers through continuous development of novel initiatives, in a bid to deliver high quality services to our customers. Brand new digital features, such as mobile app development and online channels, were introduced to facilitate information access and effective communications between the Trust and our customers.</p> <p>To keep pace with customer demands in the digital era, we endeavour to pioneer innovative ways to enrich customer shopping experience in Langham Place Mall. A series of new customer-friendly facilities were also installed in both flagship properties to further enhance convenience for shoppers and tenants.</p>

Sustainability Review

CUSTOMERS AND VALUE CHAINS

Ethical and Responsible Conduct

We strictly adhere to the highest ethical standards, relevant laws and regulations, in addition to imposing stringent measures on the conduct and operating practices of our staff and suppliers. Our governing policy focuses on two areas: anti-corruption and supply chain management.

Anti-corruption

Champion REIT has enforced vigorous policies to ensure that all employees are ethical and responsible to our stringent Code of Conduct. All staff are strictly prohibited from soliciting, accepting or offering bribes or any other form of advantage. Anti-money laundering and counter-terrorist financing procedures are set out in compliance with guidelines from the Securities and Futures Ordinance. The Code also outlines the Trust's expectations on its staff with regard to conflicts of interest and whistle-blowing procedures.

Supply Chain Management

Our prime objective of supply chain management is to maintain a pool of reliable suppliers who are committed to maintaining the highest level of integrity and ethical behaviour. We have formulated the Supplier Code of Conduct and incorporated it into our tendering documents in the form of Q&A checklist. Our suppliers are required to fill in the checklist every three years to keep us informed of their compliance status.

Product and Service Responsibility

One of the most significant missions of Champion REIT is to deliver top quality services to our customers, including tenants and shoppers. Our building management teams have adhered strictly to ISO 9001 Quality Management System benchmarks in devising effective measures to

monitor and enhance customer satisfaction. At both our flagship properties, our service quality management standards have been certified by the Hong Kong Quality Assurance Agency.

Thanks to its outstanding security services, Langham Place swept 10 awards in the 2017 Kowloon



2017 Kowloon West Best Security Services Awards



Appreciation for staff's kindness:

I've learnt that a dog was wandering around the premises of Langham Place, and was taken care tenderly by the security guards there. I was so impressed with the kindness of the staff towards animals that I would like to thank wholeheartedly the property management team of Langham Place.

A shopper at
Langham Place Mall



West Best Security Services Award Presentation Ceremony, while Three Garden Road was bestowed honours in the Customer Relationship Excellence Awards 2017.

We ensure personal data is collected in a lawful and fair way and protect the privacy rights of our stakeholders. It is our policy that all personal data shall be handled in accordance with the Hong Kong Personal Data (Privacy) Ordinance.

Quality Assurance of Supplier Service

Langham Place and Three Garden Road have delegated their property management to service providers such as Eagle Property Management (CP) Limited, as well as relevant property and building managers. To assure that all services delivered are in line with the high standard of Champion REIT, our service providers have implemented policies and procedures regarding operating practices, workplace quality and environmental protection. To sustain effective communications with our tenants and customers, we have made multiple channels available to our tenants and customers to raise their suggestions to our building management teams.

Value-added Services for Customers

A series of new customer-centric facilities were installed in both Three Garden Road and Langham Place to further enhance convenience for our shoppers and tenants. In 2018, additional automatic swing doors were installed at Langham Place Shopping Mall, providing a durable

and barrier free access. To facilitate our shoppers to find shop locations and information more effectively, our conventional directories were replaced with e-directories at the Mall.

At Three Garden Road, wheelchair borrowing service has been made available for the needy. To further assist the disabled in accessing the property conveniently, we have arranged training for our frontline staff in handling visually impaired persons.

COHESIVE WORKFORCE

Health and Safety

We are committed to maintaining a healthy and safe workplace for our employees and service providers. The operating procedures of our management systems at both Three Garden Road and Langham Place are certified under OHSAS 18001 Occupational Health and Safety Assessment System.

Emergency procedures and crisis management plan are well established for our staff and property managers to report and handle health hazards in workplace. The team has also taken a proactive approach to ensure effective crowd management and evacuations, and reduced the chances of mass infection with the provision of alternate site offices. Safety training for the contractors’ employees and workplace inspection are conducted regularly as well.

The team’s new measures in 2018 include:

- Installing a protective barrier on the roof floor of our properties to ensure a safe workplace
- Setting up a real time busduct temperature monitoring system to detect any likelihood of abnormal overheating in critical busbars



Creating impact through tenant partnership:
I would like to express my sincere thanks to various teams of Langham Place for their immense supports to our Laneige Sparkling Café campaign. This event was a great success. Langham Place is one of our most preferred collaborating trade partners.



Fion Ipp,
Managing Director,
Amorepacific
Hong Kong Co. Ltd.



Sustainability Review



Achieving work-life balance:
As a new comer, I enjoy the positive working environment where staff members are brought together through various activities. Staff well-being is highly promoted and the team spirit is strong here.

Jonathan Chan,
Corporate Finance Analyst of Eagle Asset Management (CP) Limited



- Installing additional safety monitoring devices in the long escalators of Langham Place Mall to enhance public safety
- Conducting regular drills simulating fire hazards and power suspension

In recognition of our outstanding efforts towards the attaining of high safety standards, Langham Place was awarded Silver Award at the 6th Best Property Safety Management Award (Best Safety Enhancement Programme).

Staff Well-being

Work-life balance enhances productivity and cohesiveness. We have advocated staff well-being by encouraging our employees to live a healthy lifestyle. During the year, we introduced a series of wellness initiatives for them. Aroma Yoga Flow Class was organised for our staff, enabling our staff to relax both their minds and bodies after work. In addition, we communicated with and engaged our employees through multiple channels such as focus groups, festive gatherings and Green Monday cooking activities.

Our persistent efforts in advocating the importance of wellness have proven to be fruitful and rewarding. In 2018, the Department of Health and Occupational Safety and Health Council awarded Langham Place with Joyful@Healthy Workplace Charter.

Breakdown of Employees and Turnover Rate by Age Group and Gender:

	By Age Group (Years of Age)					By Gender	
	Under 20	20 - 29	30 - 39	40 - 49	over 49	Male	Female
Employed on 31 Dec 2018	0%	14%	29%	36%	21%	36%	64%
Turnover Rate in 2018	0%	0%	0%	0%	0%	0%	0%

The table above refers to the percentage of employees working under the REIT Manager. As the REIT Manager delegates property management, lease management and marketing & promotion functions to various service providers, it only hires a relatively small team of staff.

Fair Labour Standard

To offer our staff guidance and motivation under a lawful and proper employment, we have distributed among them the Employee Handbook that embraces policies relating to recruitment, promotion, welfare as well as grievance mechanism. The policies are put in place with reference to the most up-to-date labour standards, ensuring that our employment and labour practice comply with pertinent employment laws and regulations. We are committed to providing a fair working space by adhering to UN International Bill of Human Rights and relevant anti-discrimination laws.

We have devised a comprehensive employee benefit scheme covering, among others, wage protection, rest days, paid holidays, sickness allowances, annual leave, maternity and paternity leave, maternity protection, employment protection, severance and long service payments. Since our business nature does not involve industrial or manufacturing operations, we are free from any potential issues involving child or forced labour.

Diversity and Equal Opportunity

Being strictly adhered to Hong Kong’s equal opportunity laws, UN International Bill of Human Rights and relevant anti-discrimination laws, we have placed great emphasis on diversity of workplace and have formulated stringent equal



Organised regular safety trainings

opportunities policies. Under these in-house policies, we have ensured that no job applicant or employee receives less favourable treatment or is disadvantaged by age, disability, gender, pregnancy or marital status.

Developing Talents

Champion REIT endeavours to nurture employees to achieve progress in their career development. Apart from ongoing management training, its new learning topics



The sole partner of Harvard China Student Internship Programme in Hong Kong for 2018:

The experience has been the best internship experience I have ever had. The non-bureaucratic working environment allowed me to learn from everyone in the office, and gave me an opportunity to do meaningful work for the Trust.

Cameron Gornet,
Student of Harvard University



Harvard CHINA FUND
哈佛大學中國基金



Sustainability Review

including PropTech, FinTech and Business Mandarin were introduced to our employees. We have also placed great emphasis on training our staff members in ethical and professional conduct. Compliance training in effective disclosure requirements and in anti-money laundering practices are offered as well.

Moreover, we have set up a comprehensive performance appraisal system that doubles as a regular dialogue mechanism for employees to voice feedback to their supervisors. All our eligible employees (i.e. those employed before 1 Aug 2018) are entitled to such performance reviews, and they have achieved steady progress in their career development.

Extensive Apprenticeship Opportunities

We have offered a rich array of short-term job vacancies for youngsters. Being the sole Hong Kong-based partner for the 2018 Harvard China

“Offering opportunities for local high school students to equip for the job market: Previously I was just a visitor to Langham Place Mall and seldom paid attention to shop locations and spacing. My perception is now totally different from that before I worked for the REIT Manager.”

Natsuya Wong,
Student of Hong Kong Taoist Association Tang Hin Memorial Secondary School




Student Internship Programme, we were delighted to offer the students of Harvard University an opportunity to gain hands-on real estate industry experience in an office environment abroad.

What’s more, we participated in Project My Future. It was an internship programme aiming to help youngsters between the ages of 16 and 18 to understand the ever-changing society, and get prepared to enter the job market after graduation.

Environmental impact assessment is conducted regularly to evaluate our environmental aspects. Through the assessment, we have identified significant aspects such as energy consumption, carbon emission and water consumption, which warrant management actions.

Our Environmental Policy is formulated and benchmarked against international guidelines. Both of our flagship properties, Langham Place and Three Garden Road, have been certified under ISO 14001 environmental management systems. We regularly conduct environmental impact assessment which evaluates our environmental aspects in accordance with laws and regulations including Building Energy Efficiency Ordinance and Water Pollution Ordinance.

ENVIRONMENT

Environmental Management

Champion REIT is dedicated to minimising the impacts of our operations to the environment.



Enhanced Use of Resources

Over the years, Champion REIT has been dedicated to boosting energy efficiency through a series of stringent measures and environmentally-friendly initiatives to optimise the use of natural resources.

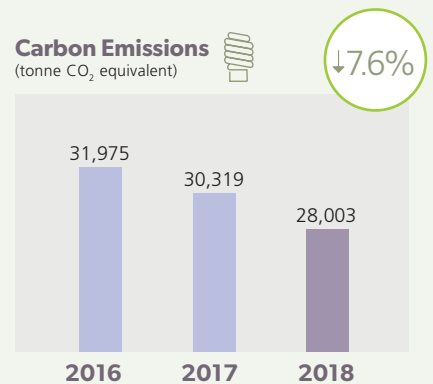
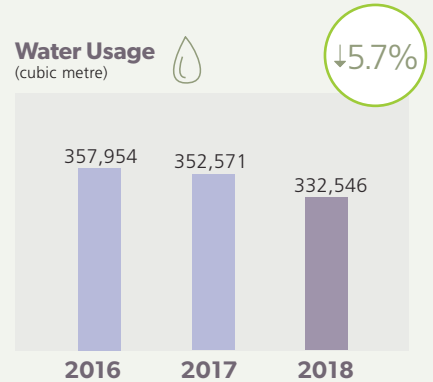
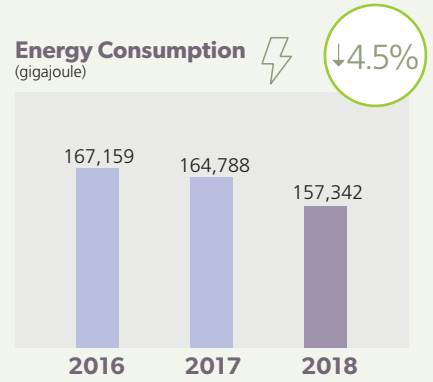
In both our flagship properties, atriums and lobbies have featured large multi-storey glass curtain walls that allow abundant natural light to pass through. At Langham Place Mall, the original Metal Halide Flood Lighting in its Grand and Mini Atrium Area’s Digital Sky was upgraded with more durable energy-efficient LED luminaires, which were also installed in common areas such as staircases, corridors and lavatories with motion sensors. To support the property’s daily needs, solar energy is collected and transformed into electricity by solar panels installed on the mall’s rooftop.

We also encourage the use of electric vehicles by installing electric vehicle recharging stations at car parks of both our properties. The charging facilities at Langham Place were subsequently upgraded via an installation of semi-quick charging devices.

Our two flagship properties, Langham Place and Three Garden Road, are well equipped with comprehensive ventilation and air-conditioning systems with state-of-the-art floor-by-floor climate sensors, enabling our tenants to adjust their air-conditioning on an area-by-area basis via our building management system control upon request and minimise wastage, because the air conditioning supply can be deactivated in unused areas.

We have further reduced our energy consumption in Langham Place through the installation of daylight sensors which automatically dim or deactivate all non-essential interior electric lights when the natural light inside the property is sufficient. By the same token, we have further cut our energy wastage by installing carbon dioxide sensors to reduce fresh air loads during summer. Consequently, the combined energy consumption of our properties in 2018 decreased by 4.5% (to 157,342 gigajoules).

Driven by our relentless support for the Environment Bureau’s “Energy Saving Charter on Indoor Temperature” scheme to reduce



The above measurements are based on Three Garden Road and Langham Place.



Sustainability Review

air-conditioning energy consumption, both our properties maintain an average indoor temperature between 24°C to 26°C during June to September every summer. Since 2018, Langham Place has also been encouraging retail and office tenants to join this scheme, attracting 46 shopping mall tenants and 16 office occupiers to participate in this programme.

To optimise our water usage, Langham Place has been equipped with low-flow water faucets. At Three Garden Road, water collected in an underground tank is reused for irrigating its landscaped gardens. In 2018, the combined water usage at both properties dropped by 5.7% (to 332,546 cubic metres).

Champion REIT has no manufacturing operations leading to production or discharges of hazardous toxins or harmful chemicals. Nonetheless, we always make every effort to minimise emissions by different means. In 2018, the estimated combined carbon emissions of our two properties decreased by 7.6% to 28,003 tonnes of carbon dioxide. This figure covered both direct and indirect emissions such as those emitted from electricity generated off-site.

Recycling Materials

Committed to increasing recycling initiatives and reducing the environmental impact of our properties, Champion REIT has adopted in both our properties rigorous procedures for more efficient

separation and collection of office and retail waste for third-party recycling. Among a variety of recycling materials, paper is the principal category of material we have collected for recycling. Likewise, we have actively participated in “Food Waste Recycling Partnership Scheme” co-organised by the Environmental Protection Department and Green Council, through which disposable waste such as plastic bottles and leftovers from our food court were collected for reprocessing. In 2018, umbrella recycling bins were installed in the main entrances of Langham Place Mall, aiming to promote green awareness among our shoppers.

Forestry conservation is another key recycling initiative. Having joined the Wood Recycling & Tree Conservation Scheme organised by the Hong Kong Environmental Protection Association, both our flagship properties recycled last year Christmas and Peach Blossom trees and Chinese New Year plants. On top of it, Langham Place also shared Chinese New Year arrangements with the Hong Kong Young Women’s Christian Association. While Three Garden Road donated in 2018 festive

flowers to St. James’ Settlement’s senior citizen’s homes, it contributed used books to World Vision Hong Kong for charity sale.

Furthermore, reduction of paper wastage plays a crucial role in conserving forestry. Instead of hardcopies, we have been preferring using softcopies for internal communications. With respect to our corporate publications such as Trust’s Interim and Annual Reports, we have made e-version and hardcopies available to unitholders.

Going Green Initiatives

In an effort to arouse environmental awareness among our stakeholders, Champion REIT organises a vast variety of going green events or activities every year. In August 2018, a green event entitled “Water For Free” campaign was organised by our property management team in collaboration with “Go Green Hong Kong” organisation. The campaign encourages the public to reduce the vast amount of plastic bottles entering landfills and oceans. Our other going green initiatives such as Exchange Corner, Green Monday Lunch Gathering, Green Living

Materials Collected for Recycling:

	2016	2017	2018
Waste Paper (kg)	276,980	260,785	287,738
Fluorescent Tubes (kg)	610	420	952
Plastic Bottles (kg)	778	284	640
Aluminium Cans (kg)	171	199	269
Reusable Batteries	390	296	545





Inspiring events helped tenants to rejuvenate:
I enjoyed the various wellness events held at Three Garden Road. It was fun and the events encouraged people to take a break and rejuvenate.

Daniel So,
Office Tenant of Three Garden Road



premium commercial properties, but also creation of a sustainable community. To ensure that our stakeholders could always enjoy a better work-life balance and were motivated to enhance their physical and mental well-being, Champion REIT put wellness to the forefront and organised a broad array of enrichment wellness activities during the year.

Among our most sought-after new events, one of them was “Champion Your Wellness – Office Chair Yoga” held on 10 October 2018, which coincided with World Mental Health Day. Also, in the year, we arranged for our properties’ tenants the first-ever chair yoga event covering yoga exercise, healthy food tasting and Instagram photo contest.

Promoting art and culture to the public is part of our community wellness strategies. Champion REIT sponsored last year a concert series, Musica del Cuore (Italian for “Music of the Heart”), on the upper ground floor lobby of Three Garden Road. Performed by the finest classical musicians, including solo artists and chamber groups from around the world, the concerts have inspired local music lovers and enabled our staff and tenants enjoying a leisure break on Friday evenings.

Workshop were also well received and gained considerable support from our employees and tenants at both properties.

Recognition of Excellence

In recognition of our continuous efforts in minimising energy wastage and light nuisance caused to nearby residents, the Environment Bureau awarded in 2018 Langham Place and Three Garden Road with Platinum Awards of Charter on External Lighting.

Both our properties obtained the “Excellent Class” Indoor Air Quality Awards under the Indoor Air Quality Certification Scheme organised by the Environmental Protection Department, as well as Gold Certificates under the Quality Water

Supply Scheme awarded by Water Supplies Department.

Three Garden Road was presented the Energywi\$e Certificate of Good Level & Wastewi\$e Certificate of Excellence Level of Hong Kong Green Organisation Certification. Langham Place achieved a Certificate of Merit – Property Management (Commercial & Industrial) in the Hong Kong Awards for Environmental Excellence organised by the Environmental Campaign Committee.

COMMUNITY WELLNESS

Health and Well-being

A key focus of our vision is on promoting health and wellness of our stakeholders. It applies not only to the management of our

Supporting the Underprivileged

To nurture reading at a young age, Champion REIT has collaborated with the Hans Andersen Club since 2017 to organise educational and

Sustainability Review

enriching activities for underprivileged youngsters. In 2018, we led children from Tai O to get close to nature and experience how natural resources were transformed into fuel. The children also learnt about ecology of aquaponics by visiting Tai O Fish Plant. The young participants also caught a glimpse of climate change through fun-filled storytelling.

At Christmas 2018, the Hong Kong first Disney TSUM TSUM Christmas Market was held in Langham Place. A group of children from Tai O were invited to participate in the event and had fun in various festive programmes for kids. Similar to the previous year, some children story books were donated to the Club to encourage children to nurture a good reading habit.

Charity Events

Every year, we actively participate in a series of charity functions to help the needy in society. In March 2018, a group of enthusiastic employees

of Three Garden Road joined a walkathon called Orbis Walk For Sight 2018 at Tai Tam Country Park, and raised funds to support Orbis's global sight-saving initiatives.

Throughout the year, Langham Place sponsored free airtime on its giant LED TV screen at Grand Atrium to broadcast promotion videos of charitable organisations, including WWF Earth Hour, Ronald McDonald House, Hong Kong

Jockey Club Music and Dance Fund Awardees Association, Jockey Club TourHeart Project, Go Green Hong Kong, Fashion Farm Foundation, the Community Chest of Hong Kong, ifva of Hong Kong Arts Centre, just to name a few.

Raising Environmental Awareness

To heighten environmental awareness among our employees and tenants, both Langham Place and Three Garden Road have supported the global anti-climate change initiative, "Earth Hour 2018", organised by WWF (World Wide Fund). In the event, all non-essential lights were switched off for an hour as a way to promote the green practice of energy saving.



Actively participated in a series of charity functions



Invited a group of children from Tai O to participate in Langham Place's Disney TSUM TSUM Christmas Market

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	A1.5	Description of measures to mitigate emissions and results achieved	34-37
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A2 Use of resources	A2	General disclosure	29, 34-37
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	A2.3	Description of energy use efficiency initiatives and results achieved	35-37
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B4 Labour standard	B4	General disclosure	33
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B5 Supply chain management	B5	General disclosure	30-31
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B6 Product responsibility	B6	General disclosure	30-31
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B8 Community investment	B8	General disclosure	37-38
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Property Portfolio At-a-glance



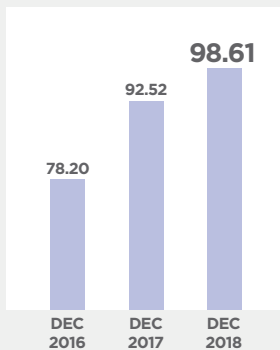
THREE GARDEN ROAD

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

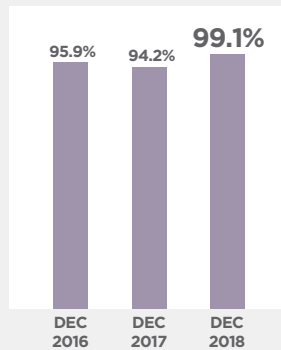
LANGHAM PLACE OFFICE TOWER

Langham Place Office Tower is a 703,000 gross sq. ft. 59-storey office tower located within the Langham Place mixed-use development. It is a Grade A office property in Mongkok, a major transport hub in Kowloon and a busy shopping district. The building attracts location sensitive lifestyle and multinational office tenants.

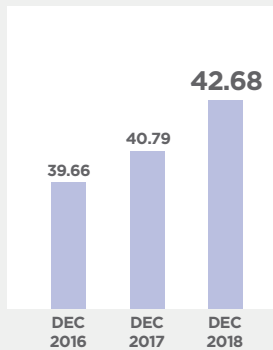
Office Passing Rent (HK\$psf)



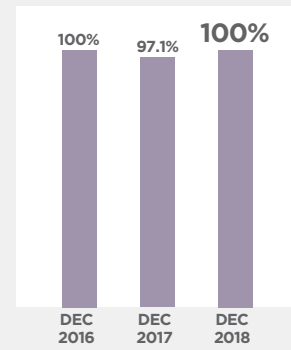
Occupancy Rate



Passing Rent (HK\$psf)

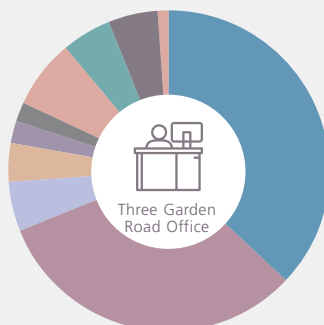


Occupancy Rate



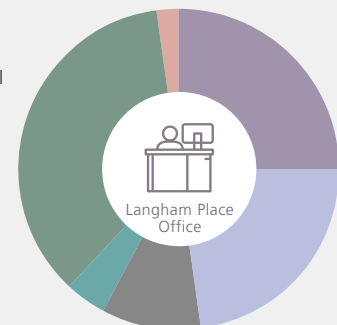
Tenant Profile as at 31 December 2018

- 37% Banking
- 32% Asset Management
- 5% Business Centre/ Co-working Space
- 4% Legal
- 2% Medical
- 2% Consultancy
- 7% Corporate
- 5% Media
- 5% Others
- 1% Vacant



Tenant Profile as at 31 December 2018

- 25% Healthcare & Medical
- 23% Beauty
- 10% Fitness Centre
- 4% Business Centre/ Co-working Space
- 36% Corporate & Sales Services
- 2% Others





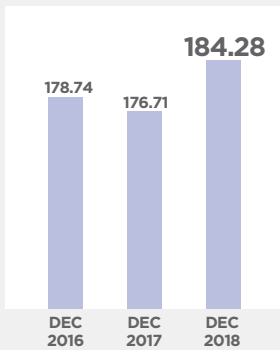
LANGHAM PLACE MALL

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

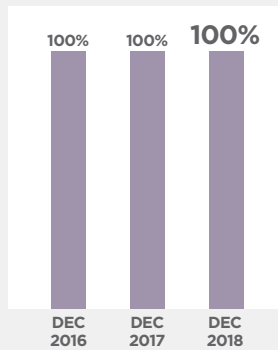
MAJOR TENANTS OF CHAMPION REIT (in alphabetical order)

- Allianz Global Investors
- Beauty Avenue
- Blackrock
- Bloomberg
- Cinema City
- Citibank
- Dr Reborn & Union Medical Healthcare
- Industrial and Commercial Bank of China
- Neo Derm
- Pure Fitness & Pure Yoga

Passing Rent (HK\$psf)



Occupancy Rate

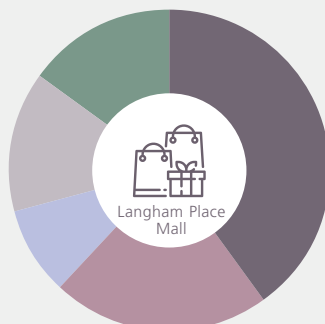


Value as at 31 December 2018

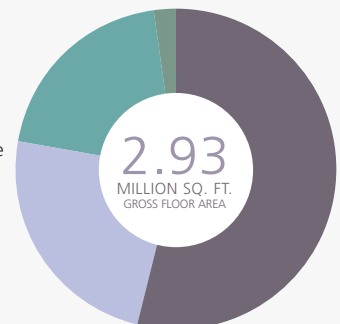
HK\$ million	Three Garden Road	Langham Place	Sub-total
Office	48,254	9,910	58,164
Retail	670	22,700	23,370
Car Park	614	381	995
Miscellaneous	352	254	606
Total	49,890	33,245	83,135

Tenant Profile as at 31 December 2018

- 40% Fashion, Sports & Accessories
- 22% Food & Beverage
- 9% Health & Beauty
- 14% Others
- 15% Entertainment



- 54% Three Garden Road Office 1,579,900 sq. ft.
- 24% Langham Place Office 702,900 sq. ft.
- 20% Langham Place Mall 589,800 sq. ft.
- 2% Three Garden Road Retail 57,700 sq. ft.



Three Garden Road

With a gross floor area of over 1.6 million sq. ft., Three Garden Road is one of the biggest office complexes in Hong Kong. It has the flexibility to join 26 floors of both towers to provide an enlarged floor plate of up to 34,000 sq. ft. This is the largest available floor plate in Central.





PRIME ASSET

Three Garden Road is a modern glass and steel office complex, which comprises Champion Tower and ICBC Tower, a retail podium, and a three-level basement garage capable of accommodating 558 vehicles. The complex is located in the Central district of Hong Kong and is well connected by elevated walkway to the rest of Central. It is nestled within the traditional banking hub of Hong Kong, which also contains the headquarters buildings of all three of Hong Kong's currency issuing banks. After acquiring the last four floors it did not own in 2013, Champion REIT became, and is still, the owner of Three Garden Road in its entirety.

ARCHITECTURAL EXCELLENCE

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

GRADE A STANDARD WITH CONTINUOUS UPGRADE

Three Garden Road is the archetypal modern premium grade A office complex, replete with fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate cabling and flexibility in office configurations, a central computerised control centre and a master satellite signal distribution system. Key among Three Garden Road's attributes is its ability to conform to the formidable specifications required by multinational financial institutions. These include security lift facilities for treasury items, high redundant power supply to floor space ratios,

Three Garden Road



timely emergency power supply and more importantly, emergency chilled water facilities to data centres during power outages. It also operates an intelligent heat detection system, which can prevent the unintentional activation of sprinklers. During the year, the chilled water system and the generator set have been upgraded to optimise energy efficiency.

WELLNESS EXPERIENCE FOR TENANTS

In addition to its prime location and premium specifications, the tenant

experience also plays an important role in attracting quality tenants to the property. Three Garden Road places great emphasis on the quality of facility management and customer experience. The relaxation and cardiovascular needs of the tenants are also an integral part of Three Garden Road's success formula. Three Garden Road is home to a health club occupying almost four floors of one tower. This health club features a gymnasium and a heated swimming pool among other exercise facilities. A pioneer campaign "Champion Your Wellness – Office Chair Yoga" was held to

promote better healthy lifestyle and mental well-being.

Another amenity to tenants is the retail area in the lower lobby of the podium where tenants have access to a variety of food and beverage outlets. Additionally, upscale shared workspaces offer lunch and happy hour drinks and event space for tenants. Three Garden Road is also the venue for weekly classical musical performances, which are well received by tenants. All of these wellness amenities and services provide an environment for tenants to enjoy work-life balance.

BUILDING STATISTICS

Assessed Value
HK\$49.9
billion

205m Tall,
Highest Floor is **50**

Gross Floor Area
1,638,000
sq. ft.

Lettable Retail Area
43,000
sq. ft.

558

Vehicle
Basement
Garage

Built in
1992

121
Tenants

Lettable Office Area
1,225,000
sq. ft.

Gross Floorplate
34,000
sq. ft.

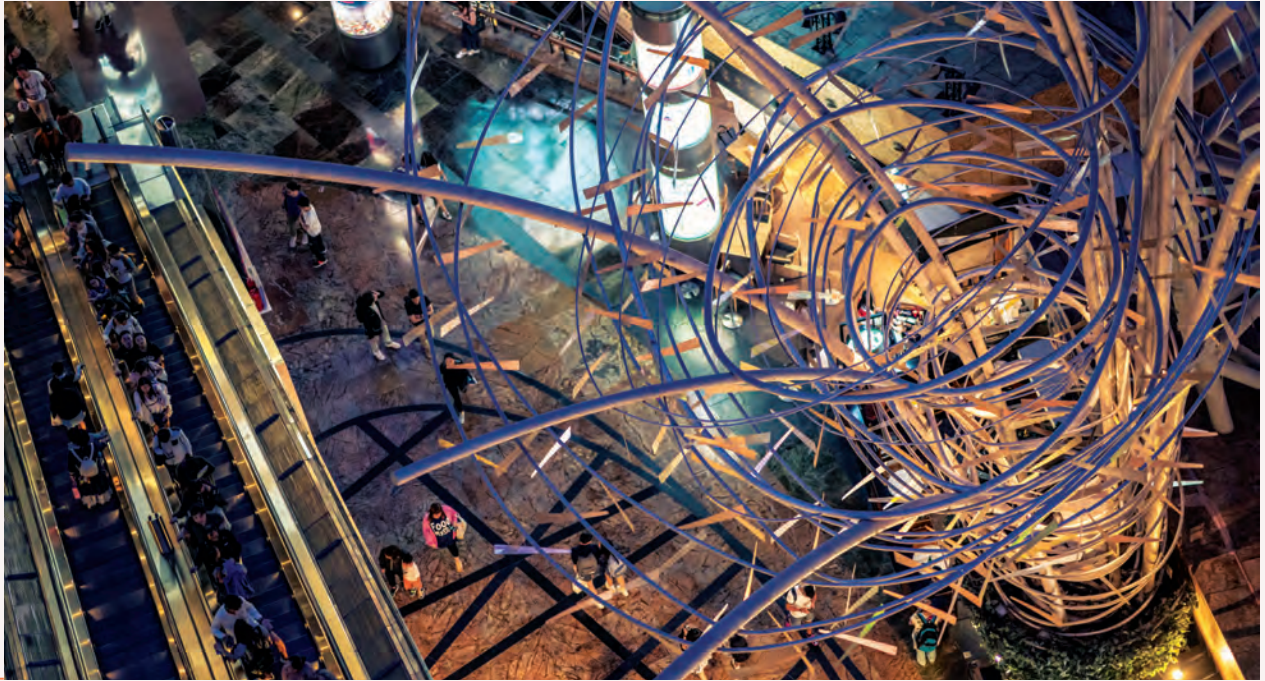
FEATURES & AMENITIES

- Nine Emergency Generators (12,400kVA)
- 36 Passenger Lifts in Nine Zones
- Security Card Access
- Private Driveway
- Private Taxi Stand
- Electric Vehicle Charging Stations
- Shuttle Bus Service
- Internal Loading Dock
- 10-Storey Lobby Atrium
- HKIAQ Certification
- Heated Swimming Pool
- OHSAS 18001 Certification
- ISO 9001 Certification
- ISO 14001 Certification
- 30,000 sq. ft. Health Club

Langham Place

Langham Place Office Tower is a modern 59-storey Grade A building that is the lifestyle hub in Mongkok. Langham Place Mall is a hip and trendy mall with a design that matches the tastes of its target audience – young shoppers interested in the latest fashion trends.





PREMIUM ASSET, PRIME LOCATION

Langham Place is an integrated commercial development, which comprises a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark and a 42-storey five-star hotel. The project occupies two entire city blocks bordered by Argyle Street, Portland Street, Shantung Street and Reclamation Street. Completed in 2004 with a total floor area of nearly two million sq. ft., Langham Place immediately became a defining landmark of Mongkok, as well as a prime retail and commercial district of Kowloon and an important hub for Hong

Kong's major public transportation networks. Langham Place is directly linked via a pedestrian tunnel to the Mongkok Interchange of the Mass Transit Railway. The portion of Langham Place that Champion REIT owns is the entire Langham Place Mall and carpark and all but four floors of the Langham Place Office Tower. In percentage terms, this is equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place.

POPULAR TRENDY MALL IN MONGKOK

The Langham Place Mall is a hip and trendy mall targeting young shoppers interested in latest fashion

trends. Being one of the busiest malls in town, it boasts a vast array of retail options ranging from hip and trendy lifestyle, health and beauty, sportswear, fashion and accessories, with consistently high annual footfall of 98 million.

As part of the shopping experience, the Mall also offers its shoppers a cineplex, a games arcade and more than 50 food and beverage outlets. Because of its immense popularity among teens and young adults, Langham Place Mall has been the venue of choice for fan and media events by both local and foreign celebrities. The Mall is also popular with tourists from the

Langham Place

Mainland as it is well known for its wide selection of cosmetics. Both box-office and admissions of our renowned cinema, Cinema City, continued to rank No. 1 in Hong Kong in 2018.

The Langham Place Mall has several unique modern architectural and design features. Its distinctive multi-faceted façade of Fissured Brazilian Granite is immediately recognisable from the surrounding shopping district. Among its internal features are a Grand Atrium enclosed by nine-storey-high glass curtains showcasing the surrounding street-level activity and some of the world's longest indoor escalators. In the upper section of the Mall there is the iconic Spiral section leading up to an indoor bar and restaurant floor.

GROUND-BREAKING YEAR-ROUND EVENTS

As a retail trend setter, Langham Place Mall strategically created new



experiences to engage consumers riding on experience-based promotion and new technologies. The mall carried out a broad array of customised events to celebrate different festivals and cater prevalent pop culture throughout the year, ranging from Chinese New Year celebration, summer party to Christmas festivity. The mall launched over 200 events in 2018, which significantly drove traffic and sale and further strengthened the leading position of the mall amidst the ever-changing market.

LIFESTYLE HUB IN MONGKOK

Thanks to the prime location and top-quality construction and facilities, Langham Place Office Tower remains a preferred address for leading lifestyle tenants. This 255-metre skyscraper also benefits from the neighbouring Langham Place Mall and Cordis Hotel. As the building is conveniently located, it attracts tenants from lifestyle, healthcare and beauty sectors with synergistic connection to the Langham Place Mall. The building is covered in reflective blue glass and topped off with a large colour-changing dome visible from as far away as Hong Kong Island at night and it boasts a sweeping panoramic view of the Kowloon skyline. The building also contains a 70,000 sq. ft. fitness and well-being centre, allowing visitors to enjoy a healthier lifestyle.



BUILDING STATISTICS

Assessed Value*
HK\$33.2
billion

250
Vehicle
Basement
Garage

Built in
2004

255m Tall,
Highest Floor is **60**

51
Office
Tenants*

169
Retail
Tenants

Gross Floor Area*
1,293,000
sq. ft.

Gross Office Area*
703,000
sq. ft.

Gross Office Floorplate
17,400
sq. ft.

Lettable Retail Area
319,000
sq. ft.

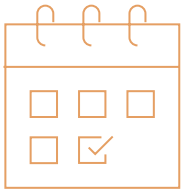
FEATURES & AMENITIES

- 15-storey Shopping Mall
- Adjoining Five-star Hotel
- 1,100 Seat Cineplex
- Over 50 F&B Outlets
- Direct MTR Access
- Nine-Storey Glass Atrium
- Panoramic View of Kowloon
- Electric Vehicle Charging Stations
- Internal Loading Dock
- HKIAQ Certification
- OHSAS 18001 Certification
- ISO 9001 Certification
- ISO 14001 Certification
- 70,000 sq. ft. Fitness Centre

**only Champion REIT's portion*

Langham Place

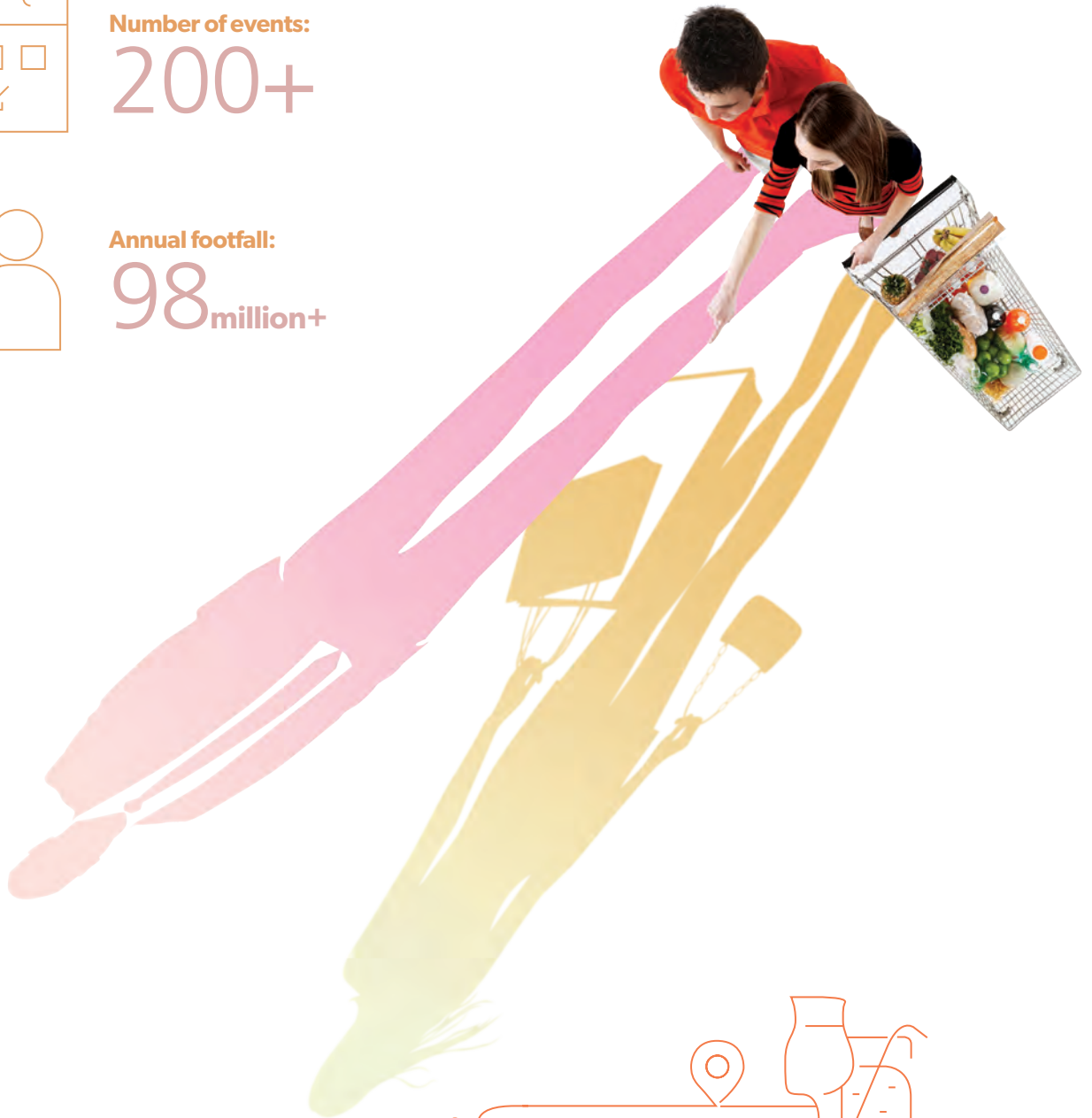
Exclusive Lifestyle Experience



Number of events:
200+



Annual footfall:
98 million+

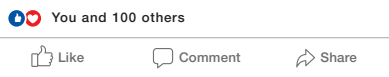
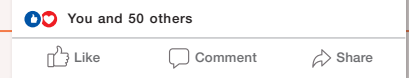
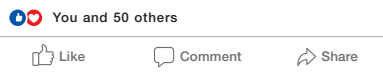


1. Gudetama's Comfort Journey Summer Campaign

Being a retail trend setter, Langham Place Mall proactively creates new experiences to engage young shoppers. The mall has curated a 3.5-month, first-ever "Gudetama Comfort Journey" which featured Gudetama (a popular lazy egg cartoon character) and brought in technologies such as chat-bot to integrate the real and virtual worlds. The campaign has become the talk of the town!

The campaign was designed with a three-pronged approach, including mind check-up with pioneer Facebook chat-bot that converted online to offline traffic, creation of comfort zone by exclusive redemption of Gudetama comfort tent and food festival with a curated menu of over 20 types of Gudetama comfort food which sustain interactive experience. The initiative successfully boosted the retail sales and additional footfall significantly and reinforced the hip and pioneer positioning of the mall.

#Gudetama
#Facebook
#Chatbot

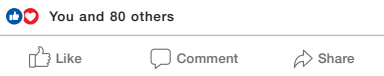


Langham Place Exclusive Lifestyle Experience

2. Chuken Mochi Shiba's Spring Festival

During last Lunar New Year, eight chubby and adorable Chuken Mochi Shiba, the very popular character from Japan, made their first visit to Hong Kong and came to Langham Place to celebrate the Year of the Dog with customers. In addition to the attractive photo spots, a range of interactive games, containing a virtual reality (VR) wish-making game, also brought excitement to visitors during the campaign.

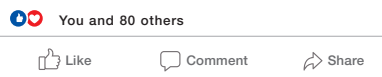
#ChukenMochiShiba
#SpringFestival
#VR



3. DISNEY • POLYGO Pop-up Store

The first pop-up store of DISNEY • POLYGO was opened in Langham Place last March. A variety of DISNEY • POLYGO exclusive merchandises were put up for sale at the pop-up store, drawing attention from crowds of fans. The cute figures of POLYGO Winnie the Pooh, Lotso, Stitch and Little Green Men were installed, attracting thousands of fans to take pictures.

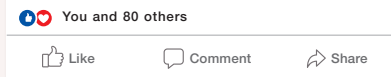
#DisneyPolygo
#FirstPopUpStore
#ExclusiveMerchandises



4. adidas Create Your Pitch World Cup Project

During the FIFA World Cup in Russia in 2018, adidas partnered with Langham Place to stage the "Create Your Pitch" project to inspire young people's innovative thinking. The six-metre tall decoration, the match ball adidas Telstar 18 designated for 2018 World Cup, hanging in the L4 Atrium successfully caught customers' eyes. Customers could try the prevalent Goalkeeper VR Challenge to experience the exciting soccer game and create their own pitch by adjusting the LED floor and audio effect during the game.

#WorldCup2018
#Soccer
#EasonChan



5. LANEIGE Sparkling Café

To introduce the new release of "Sparkle My Way" products, LANEIGE staged a dessert-themed pop-up café for sale of Japanese soufflé pancake and various delicate desserts so as to promote the message of pampering ourselves. Sale revenue from café was donated to the Make-A-Wish charity fund. A famous Korean pop idol was invited to act as officiating guest of the pop-up café.

#SparkleMyWay
#MakeAWish
#ParkSeoJun



You and 80 others
Like Comment Share

6. Fresh Beauty Kitchen

Beauty tenant Fresh transformed L4 Atrium into a "Beauty Kitchen" last September. It integrated all of Fresh's products into the kitchen and baking workshops, displaying a series of natural ingredients that used in the brand's exclusive products, allowing customers to taste the natural beauty of the brand in a fresh and playful way. Customers could also enjoy popular healthy drink Kombucha and customised cookies.

#BeautyKitchen
#NaturalBeauty
#Fresh



You and 80 others
Like Comment Share

7. Disney TSUM TSUM Christmas Market

Last Christmas, Langham Place Mall celebrated the festive season through featuring the Hong Kong's first "Disney TSUM TSUM Christmas Market". Customers were amused by the on-site game that allowed them to create personalised TSUM TSUM icon and Christmas card. More than 700 limited-edition merchandises were made available at pop-up stores, boosting the mall's footfall and sales.

#DisneyTsumTsum
#ChristmasMarket
#LimitedEdition



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Valuation Report

Colliers International (Hong Kong) Limited

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30 January 2019

EAGLE ASSET MANAGEMENT (CP) LIMITED

SUITE 3008, 30/F, GREAT EAGLE CENTRE

23 HARBOUR ROAD

WANCHAI

HONG KONG

(THE MANAGER FOR CHAMPION REAL ESTATE INVESTMENT TRUST "CHAMPION REIT")

AND

HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED

17/F, TOWER 2 & 3, HSBC CENTRE

1 SHAM MONG ROAD

KOWLOON

HONG KONG

(THE TRUSTEE FOR CHAMPION REIT)

DEAR SIR/MADAM,

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

1.1 Instructions

In accordance with the instructions for us to value the Property, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the leasehold interests of the Property in its existing state as at 31 December 2018 (the "Valuation Date") for reporting purposes.

1.2 Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Property and we are independent of Champion REIT, the Trustee and the Manager.
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties.
- The valuations have been prepared on a fair and unbiased basis.

1.3 Basis of Valuation

Our valuation is made on the basis of Market Value, which is defined as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

1.4 Valuation Standards

The valuations have been carried out in accordance with “The HKIS Valuation Standards (2017 Edition)” published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in August 2014.

1.5 Valuation Rationale

In the course of our valuations, we have adopted **Income Approach - Term and Reversion Method**. This valuation method estimates the value of properties or assets on a market basis by capitalizing net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses. Our adopted capitalization rate for the retail and office accommodation is 3.75% and 4.0% respectively.

This analysis has then been cross-checked by the **Market Approach** assuming sale of the Property in its existing state and by making reference to comparable sale transactions as available in the relevant market. By analysing sales which qualify as ‘arms-length’ transactions, between willing buyers and sellers, relevant adjustments are made when comparing such sales against the Property.

Valuation Report

1.6 Title Investigations

We have not been provided with extracts from title documents relating to the Property but have conducted searches at the Land Registry. We have not, however, been provided with the original documents to verify the ownership, nor to ascertain the existence of any amendments which may not appear on our searches. We do not accept any liability for any interpretation which we have placed on such information, which is more properly in the sphere of your legal advisers.

1.7 Sources of Information

We have relied to a considerable extent on the information provided by the Manager on such matters as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Manager that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable.

1.8 Site Measurement

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct.

1.9 Site Inspections

We have inspected the exteriors and the interiors of the Property. Our inspections of the Property were carried out by Stella Ho (MRICS and MHKIS) on 11 December 2018. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuations have been prepared on the assumption that these aspects are satisfactory.

1.10 Caveats and Assumptions

Our valuations have been made on the assumption that the Property can be sold on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect their values although they are subject to the existing management agreements and lease agreements.

No allowances have been made in our valuations for any charges, mortgages or amounts owing neither on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

This report and our valuations are for the use of the REIT Manager and the Trustee of Champion REIT and the report is for the use only of the parties to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of these valuations.

We have made the following assumptions:

- All information on the Property provided by the Manager is correct.
- Proper ownership titles of and relevant planning approvals for the Property has been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules, a standard Tenancy Agreement and a Licence Agreement by the Manager. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- As instructed, we have relied upon carpark numbers as advised by the instructing party. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.
- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.
- No acquisition costs or disposal costs have been taken into account in the valuations.

Valuation Report

- The Government Leases will be renewed upon expiry on normal terms.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong dollars (HK\$).

Our valuations of the Property are set out on the Valuation Particulars attached hereto, which together with this covering letter, form our valuation report.

Yours sincerely,

For and on behalf of

Colliers International (Hong Kong) Limited

Stella Ho

BSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA

Registered Real Estate Appraiser PRC

Director

Valuation & Advisory Services

David Faulkner

BSc (Hons) FRICS FHKIS RPS (GP) MAE

Managing Director

Valuation & Advisory Services – Asia

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region ("Hong Kong"). She is suitably qualified to carry out the valuation and has over 18 years' experience in the valuation of properties of this magnitude and nature.

Note: David Faulkner is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region. He is suitably qualified to carry out the valuation and has over 38 years' experience in the valuation of properties of this magnitude and nature, and over 37 years' experience in Hong Kong and China.

2 VALUATION PARTICULARS

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018	Estimated Net Property Yield
(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street,	Langham Place is a retail/office/hotel/ carpark complex erected on two rectangular sites, separated by Shanghai Street. Completed in 2004, the Property is of a total registered site area of about 11,976 sq. m (128,910 sq. ft). Currently standing on the eastern site is a 59-level tower, comprising 46 levels of office, 4 levels of shop, 5 mechanical floors, 2 refuge floors and 2 roof floors, and a 15-storey retail building, including 2 basement levels, erected over 3 levels of basement carpark.	The office portion of the Property was let under various tenancies mostly for terms of three years with the latest expiry date in November 2023 yielding a total monthly rental income of approximately HK\$30.62 million exclusive of rates, management and air-conditioning charges. A number of tenancies contain options to renew for further terms at the then prevailing market rents.	HK\$33,245,000,000 (Hong Kong Dollars Thirty-Three Billion Two Hundred and Forty-Five Million Only)	4.0%
(2) Retail Block, Langham Place, 8 Argyle Street,	On the western site, government, institution and community facilities, public open space and a hotel built over 2 levels of basement car park are provided on the site.	The retail portion of the Property was let under various tenancies mostly for terms of three years with the latest expiry date in July 2024 yielding a total monthly basic rent of approximately HK\$59.43 million exclusive of rates, management and air-conditioning charges. Most of the tenancies are subject to turnover rents. The average monthly turnover rent receivable during the period from December 2017 to November 2018 was approximately HK\$15.61 million.		
(3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and				
(4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon				
1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No 11099.	Two covered footbridges and an underground vehicle tunnel across Shanghai Street are constructed to connect the buildings erected on the two separate sites.	The occupancy rates of the office and retail portions were both 100%.		

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018	Estimated Net Property Yield
	<p>The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq. m (702,911 sq. ft).</p>	<p>The carpark was operated as a fee-paying public carpark let on monthly and hourly bases. The total average monthly gross income receivable for the year ended 31 December 2018 was approximately HK\$2.127 million.</p> <p>Miscellaneous income generated from lightboxes, signage spaces and other miscellaneous items yields an average monthly licence fee of approximately HK\$1.694 million.</p>		
	<p>The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq. m (589,844 sq. ft) and a Gross Rentable Area of approximately 29,648.18 sq. m (319,133 sq. ft).</p>			
	<p>The Property is also consisted of a carpark at the basement levels, 8 Argyle Street, and 555 and 557 Shanghai Street accommodating a total of 250 car parking spaces.</p>			
	<p>Kowloon Inland Lot No. 11099 is held from the Government under the Conditions of Exchange No. UB12557 for a term from 18 February 2000 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>			

Notes:

1. The registered owner of the Property was Benington Limited as at the Valuation Date.
2. The Property comprises the Reserved Area defined in the Deed of Mutual Covenant and Management Agreement dated 27 June 2005 as those parts of the Development not specifically included in the Government Accommodation or any Component, the Development CAF or HB/Retail CAF (all terms as defined in the said Deed of Mutual Covenant and Management Agreement) and reserved for the exclusive use and enjoyment of Benington Limited.
3. For the office portion of the Property, the Gross Rental Area is equal to the Total Floor Area.
4. The Property lay within an area zoned "Commercial (2)" under the draft Mong Kok (KPA 3) Outline Zoning Plan No S/K3/30 exhibited on 31 May 2013 as at the Valuation Date.
5. The rentals reported herein are the total of the face rental without taking into account of any rent free periods or the turnover rents received, if any.
6. The breakdown market values in respect of different portion of the Property is set out below:

Use	Market Value as at 31 December 2018
Office:	9,910,000,000
Retail:	22,700,000,000
Carpark:	381,000,000
Miscellaneous:	254,000,000
Total:	33,245,000,000

7. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (excluding car parking spaces and the licenced miscellaneous premises) as at 31 December 2018 is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq. ft)	% of total
Leased	702,911	100.0
Vacant	0	0.0
Total	702,911	100

Lease Commencement Profile

Year	Gross Rentable Area (sq. ft)	% of total	* Monthly Rental* (HK\$)	% of total	No. of Tenancy	% of total
2014	103,047	14.7	\$4,315,070	14.1	6	8.5
2015	17,398	2.5	\$800,308	2.6	1	1.4
2016	272,837	38.8	\$11,396,715	37.2	23	32.4
2017	154,041	21.9	\$6,688,546	21.9	19	26.7
2018	155,588	22.1	\$7,421,170	24.2	22	31.0
Total	702,911	100	\$30,621,809	100	71	100

Valuation Report

Lease Expiry Profile

Year	Gross Rentable		* Monthly Rental#		No. of Tenancy	
	Area (sq. ft)	% of total	(HK\$)	% of total		% of total
2019	275,093	39.2	\$11,430,254	37.3	24	33.8
2020	184,971	26.3	\$8,356,460	27.3	20	28.2
2021	75,733	10.8	\$3,408,142	11.1	13	18.3
2022	71,244	10.1	\$2,939,176	9.6	3	4.2
2023	95,870	13.6	\$4,487,777	14.7	11	15.5
Total	702,911	100	\$30,621,809	100	71	100

Lease Duration Profile

Year	Gross Rentable		* Monthly Rental#		No. of Tenancy	
	Area (sq. ft)	% of total	(HK\$)	% of total		% of total
2	18,773	2.7	\$994,094	3.3	2	2.8
3	381,960	54.3	\$16,434,386	53.6	46	64.8
4	34,796	5.0	\$1,565,820	5.1	3	4.2
5	153,653	21.8	\$6,848,323	22.4	16	22.6
6	96,331	13.7	\$4,083,266	13.3	3	4.2
7	17,398	2.5	\$695,920	2.3	1	1.4
Total	702,911	100	\$30,621,809	100	71	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes one committed new letting commencing in April 2019 and nine renewal tenancies for terms of approximately five months to five years commencing in between February 2019 and January 2020.

8. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding car parking spaces and the licenced miscellaneous premises) as at 31 December 2018 is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq. ft)	% of total
Leased	319,107	99.99
Landlord Occupied	26	0.01
Vacant	0	0.0
Total	319,133	100

Lease Commencement Profile

Year	Gross Rentable		* Monthly Rental [#]		No. of Tenancy	
	Area (sq. ft)	% of total	(HK\$)	% of total		% of total
2014	59,263	18.6	\$6,262,015	10.5	3	1.5
2015	23,366	7.3	\$2,611,379	4.4	8	4.0
2016	76,574	24.0	\$16,230,448	27.3	61	30.8
2017	69,837	21.9	\$12,601,845	21.2	57	28.8
2018	90,067	28.2	\$21,726,421	36.6	69	34.9
Total	319,107	100	\$59,432,108	100	198	100

Lease Expiry Profile

Year	Gross Rentable		* Monthly Rental [#]		No. of Tenancy	
	Area (sq. ft)	% of total	(HK\$)	% of total		% of total
2019	111,509	34.9	\$19,229,348	32.3	90	45.5
2020	66,137	20.7	\$11,976,709	20.2	55	27.8
2021	68,083	21.4	\$17,825,748	30.0	45	22.7
2022	26,580	8.3	\$4,324,768	7.3	6	3.0
2023	2,058	0.7	\$843,780	1.4	1	0.5
2024	44,740	14.0	\$5,231,755	8.8	1	0.5
Total	319,107	100	\$59,432,108	100	198	100

Lease Duration Profile

Year	Gross Rentable		* Monthly Rental [#]		No. of Tenancy	
	Area (sq. ft)	% of total	(HK\$)	% of total		% of total
1	13,799	4.3	\$1,801,210	3.0	9	4.6
2	32,504	10.2	\$5,372,895	9.0	45	22.7
3	133,869	42.0	\$33,576,327	56.5	115	58.0
4	44,476	13.9	\$6,776,929	11.4	15	7.6
5	44,240	13.9	\$5,991,205	10.1	11	5.6
6	5,479	1.7	\$681,787	1.2	2	1.0
10	44,740	14.0	\$5,231,755	8.8	1	0.5
Total	319,107	100	\$59,432,108	100	198	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes fifteen renewal tenancies for terms of approximately one and a half month to four years commencing in between January 2019 and November 2019 and thirteen committed new letting for terms of approximately three years to five years and one month and eleven days commencing in between January 2019 and November 2019.

Valuation Report

3 OFFICE MARKET OVERVIEW

3.1 Introduction

Hong Kong's economy and property sector continued to gain strength during 2018. Hong Kong Government forecasts that the real GDP to increase by 3.2% in 2018¹, albeit slower amid external uncertainties, notably US-China trade dispute and US interest rate hikes. Hong Kong's PMI picked up momentum towards year end and stayed above 50 in the second half of 2017, indicating that the private sector economy continues to expand. With current global economic conditions remaining robust, Oxford Economics now predicts real GDP growth of 2.8% for Hong Kong in 2018.

The overall economy and labour market stayed strong in the first half of 2018, supporting the leasing demand for office. The banking and finance sector were cautiously expanding, while leasing demand from PRC companies and flexible workspace operators has continued to grow. Relocation across Hong Kong Island has become more generally accepted due to high rents and low vacancies in Central. However, Hong Kong's office investment market has slowed down due to rising concerns about the global economy and the moderate stock market in third quarter of 2018.

Despite the slowing down of expansion momentum from PRC companies, we expect more of them to consider Tsim Sha Tsui due to the completion of the Express Rail Link, which may benefit the office market in the vicinity like Yau Ma Tei and Mong Kok.

3.2 Office Stock

According to the Rating and Valuation Department, by the end of 2017, the total stock of private offices amounted to over 127 million sq. ft, comprising 64% Grade A, 23% Grade B and 13% Grade C. Office completions in 2017 were about 2.13 million sq. ft, representing an increase of 29% from 2016. Looking ahead, about 1.95 million sq. ft and 2.71 million sq. ft of total office space are expected to be completed in 2018 and 2019 respectively. Supply in 2018 will all be shared by Hong Kong Island (56%) and Kowloon (44%), in which Eastern district and Kwun Tong together will provide 76% of the newly completed spaces. In 2019, focus of forecast supply would fall on Sha Tin and Kwun Tong, altogether accounting for 58% of the overall completions. It is also anticipated that Grade A offices will dominate the forecast completions in 2018 and 2019 at 98% and 90% respectively.

Yau Ma Tei/Mong Kok district is one of the preferred office locations for trading, consumer goods and insurance companies. Yau Ma Tei/Mong Kok represents approximately 7% of existing total office stock of all grades (9.2 million sq. ft) and 4.8% of the total stock of Grade A offices (3.6 million sq. ft). By the end of 2017, Yau Ma Tei/Mong Kok, together with the other decentralised office hubs including North Point, Quarry Bay on the Hong Kong Island, Kowloon East, Kwai Tsing and Tsuen Wan in the New Territories, represented around 53% of total Grade A office stock.

3.3 Demand

In the third quarter of 2018, according to Colliers Office Market Research, the positive business sentiment has driven overall Grade A office rents up by 1.1% QOQ, while the overall net take-up recorded about 1.4 million sq. ft, which is the highest since the third quarter of 2015.

The overall net absorption of the office market was positive at 651,343 sq. ft, as companies continue to expand. In Central/Admiralty, a positive net take-up of 84,832 sq. ft was recorded, higher than last quarter's and the strongest since the third quarter of 2015. In-house expansions have quickly backfilled space being surrendered, while stronger relocation demand has benefited Wan Chai/Causeway Bay and Island East, in which Wan Chai has reported positive net take-up of 167,273 sq. ft in the first quarter of 2018. Net take-up in Island East surged to 1 million sq. ft in the third quarter of 2018 due to the completion of One Taikoo Place, which has been fully pre-leased. Wong Chuk Hang remained relatively quiet, with net take-up up at 51,206 sq. ft in the first quarter of 2018.ⁱⁱ

Tsim Sha Tsui's net take-up reported a mild decline of 23,678 sq. ft in the first quarter of 2018, while Kowloon East reported a positive net take-up of 117,998 sq. ft.ⁱⁱⁱ Large tenants have moved into new office buildings in Kowloon East to consolidate operations from multiple locations into one space, while flexible workspace operators continued to expand in the district.

3.4 Supply

Hong Kong's Grade A office supply trended down from 2007 to 2016 as a result of a general lack of available sites in core office locations. In 2013–2016, the supply reached an average of 1.7 million sq. ft per annum, 0.2 million sq. ft lower than the long-term average, according to the Rating and Valuation Department. Around 23% of the total supply was located in Hong Kong's traditional CBD Central. Although the supply of Grade A Office was tight during 2012-2016, a new wave of office supply was on the way as 2017 approached. The office supply has increased to 2.7 million sq. ft in 2017, mainly attributed by the completion spree in Kowloon East area. Meanwhile, Grade A office supply in Yau Ma Tei/Mong Kok area saw no significant supply after the period between 2007 to 2011 when annual average supply stood at 340,400 sq. ft. Supply in Yau Tsim Mong district was about 319,690 sq. ft in 2017, accounting for 15% of the total supply of the year. No major Grade A office supply is expected in the district in short-term.

Hong Kong is likely to see a rise in office supply from 2018 to 2022. According to the Rating and Valuation Department, new Grade A office supply in 2019 will go up to over 2.4 million sq. ft, 26% higher than that in 2018, mainly attributed by the completion in Shatin and Kwun Tong. New Grade A office supply is projected to reach an annual average of approximately 2.5 million sq. ft, up 76% from the average over the past five years according to Colliers Office Market Research. While office take-up varies with market conditions and business environment every year, the future office supply level is expected to be above the annual average take-up of about 1.73 million sq. ft per annum over the last 20 years (1997 to 2016).

Analysing the future supply by districts, it is worth noting that most of the future supply will be located outside the core business districts in Hong Kong, namely Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui districts. These districts will represent about 31% of the total supply in the coming five years (2018 to 2022). The Kowloon East area, also the new Central Business District ("CBD2") will be the area providing the largest office supply. The area is expected to add about 3.2 million sq. ft or 41% to the total new office supply of Hong Kong between 2018 and 2022.^{iv}

Valuation Report

3.5 Take-up and vacancy

Demand for office space in Hong Kong has generally remained resilient in the past despite a number of economic downturns. Vacancy rates of Grade-A offices have experienced a moderate increase since the third quarter of 2011, rising around one percentage point to reach 3.4% by the end of 2012. Despite this, overall vacancy rate of Grade-A offices went down to 3.9% in third quarter of 2018 which is the lowest in 27 months. Vacancy rate in Central/Admiralty dropped from 1.9% in second quarter to 1.3% in third quarter of 2018.^v

Overall net take-up has increased to 928,160 sq. ft in the second quarter of 2018. Particularly in Central/Admiralty, a positive net take-up of 3,762 sq. ft was recorded; while a net take-up of 42,614 sq. ft was recorded in Wan Chai/Causeway Bay. In third quarter of 2018, a quarterly net take-up reached 1.4 million sq. ft, the strongest since the fourth quarter of 2015. Net take-up in Island East surged to 1 million sq. ft with the completion of One Taikoo Place. It is expected that an annual net take-up will increase to 2 million sq. ft on average from 2018 to 2022.^{vi}

Driven by the decentralisation trend, Grade A office vacancy rate remained at relatively low levels in decentralised areas. As at third quarter of 2018, the vacancy rates in Island East declined to 1.3% and that in Tsim Sha Tsui remained tight at 1.8% as consecutive floors available for lease were rare and the redevelopment of Hutchison House in Central might benefit Tsim Sha Tsui by pushing tenants to this district. The vacancy level of Kowloon East decreased to 10.0% in the third quarter of 2018, as a majority of the office space in a new office building, Mapletree Bay Point has been pre-leased. The vacancy level of Grade A office in Mong Kok trended down in the second half of 2018, from 8.9% in June to 4.5% in December.^{vii}

3.6 Rental trends

Hong Kong's Grade A office rent has experienced continuous growth from 2013 to 2017. Following the office demand from the financial sector, particularly Chinese financial companies after the launch of Shanghai-Hong Kong Stock Connect, Grade A office rents in Central recovered since 2015. The average Grade A office rent in the district rose about 13% in 2015. In 2016, the rent rose 6% year on year and edged up another 5% in 2017. In total, according to Rate and Valuation Department, the average Grade A office rent in Hong Kong rose by around 25% from 2013 to 2017. Overall Grade A office rents reached all-time high with a 1.1% QOQ increase in third quarter of 2018^{viii}.

The positive business sentiment has driven overall Grade A office rents up 3.8% QOQ between the first quarter of 2018 and second quarter of 2018. Rents for Central/Admiralty have increased by 4.5% QOQ in second quarter of 2018 amid a low vacancy rate. Rental growth in the CBD has spill over to lower tier Grade A buildings, as most popular buildings were fully occupied or too expensive, leaving tenants no choice in the CBD area. Some tenants had to search outside the CBD area, which has spread the rental growth to other submarkets on Hong Kong Island. International banks can easily afford the rents in other districts, relocation of their back offices supported rents in Wan Chai/Causeway Bay and Island East to increase 2.8% and 3.7% QOQ, respectively in the third quarter of 2018. The continuous decline of vacancies has driven rental growth in Wong Chuk Hang, up 3.9% QOQ between the fourth quarter of 2017 and the second quarter of 2018. While Kowloon East also gained momentum in rental growth accelerating to 2.8% QOQ in the third quarter of 2018^{ix}.

3.7 Price trends

Compared with rental trend, office price has also experienced considerable increase in the last five years (2013 to 2017). According to the Rating and Valuation Department, average Grade A office price in Hong Kong rose 29% from 2013 to 2017. Hong Kong's office investment market recorded a historical quarter in the fourth quarter of 2017. Overall office investment volume reached HK\$53 billion, which is 5.6 times higher than the 10-year quarterly average of HK\$7.8 billion. Investors have not stopped their buying spree for office properties in 2018 despite compressing yield. A total transaction value of HK\$36.9 billion has been recorded in the second quarter of 2018, up 19.7% QOQ.^x

As the supply of Grade A offices remained limited in the sales market, buyers continued to look for opportunities in the lower tier market. Some other notable en-bloc transactions of Grade B offices include the acquisitions of Bonham Circus in Sheung Wan and W Square in Wan Chai, which were sold for HK\$1.7 billion and HK\$2.85 billion respectively.

The strata title market was subdued with rising concerns about the economy uncertainties and stock market. The transaction volume in the strata title market dropped by 23.9% QOQ to HK\$7.34 billion in the third quarter of 2018.

In Central, average Grade A office price in the district saw a 61% growth from 2010 to 2013, followed by a 1% decline amid a softened commercial investment market sentiment in Hong Kong in 2014. The district saw a recovery in price growth in 2015, recording a 4% growth from 2014 estimated from Rate and Valuation Department Data. In 2016, Grade A office price grew about 12% and a further 17% in 2017. Overall Grade A office prices increased 6.5% QOQ supported by several transactions at The Centre, with a unit price of over HK\$40,000 per sq. ft., compared to HK\$30,000-35,000 for most transactions in 2017.

3.8 Outlook

The overall economy and labour market stayed strong in 2018, supporting the leasing demand for office. The banking and finance sector are cautiously expanding, while leasing demand from PRC companies and flexible workspace operators has continued to grow. Based on Colliers' Occupier Survey, the banking and finance sector prefers a good business cluster to lower rental cost. Hence, with its world-class business amenities, Central should continue to be the preferred choice for banks and financial institutes. Kowloon East remains active as new buildings offer large floor plates for MNCs' consolidation.

In general, office demand in Hong Kong is likely to remain firm, notwithstanding any major economic downturn. However, as the Chinese companies have lost their growth momentum amid economic uncertainty, rents in Central will continue to be under pressure as leasing activities remain restrained. We thus expect rent in Central/Admiralty to decline slightly in 2019. Rental growth in Kowloon including Yau Ma Tei and Mong Kok might stay mild.

x Source: Colliers Research

Valuation Report

Over a longer term, Hong Kong is expected to see improvements in the market fundamentals - infrastructures in the coming years. Government investments in future infrastructure, including the addition of more mass rapid transit lines such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Shatin-to-Central Link and Three-runway System Development of HKIA will continue to bode well for Hong Kong's long-term business opportunity growth.

Vacant, high quality office space was eventually taken up, even in the face of strong economic turmoil, due to sustained long-term demand for office space. We therefore remain positive about the long-term outlook for premium, Grade-A office buildings in the city, given that Hong Kong's role as a major global financial centre is unlikely to change.

4 RETAIL MARKET OVERVIEW

4.1 Introduction

The retail market was active in the first half of 2018 due to the increase in tourist arrivals. According to the Census and Statistic Department, the total retail sales volume and value in the first half of 2018 experienced robust growth compare with the previous year, indicating the end of retail slump. However, the retail sales recovery is losing momentum in the second half of 2018 and the leasing activity in prime streets remained restrained amid external uncertainties and the cautious business sentiment in the market.

4.2 Retail Stock

According to the Rating and Valuation Department, the total stock of private commercial premises in Hong Kong saw only small increment in the past five years. While stock went up by 3% between 2007 and 2011, the increase slowed to a mere 2% in the period of 2012 to 2016. Total stock at the year ended 2017 amounted to over 121 million sq. ft.

As one of the most popular shopping and entertainment spot for both visitors and locals in Hong Kong, Yau Tsim Mong (which includes Tsim Sha Tsui, Yau Ma Tei and Mong Kok Districts) concentrates a number of major shopping malls, including Harbour City in Tsim Sha Tsui and Langham Place in Mong Kok. In addition, Mong Kok is a retail spot particularly popular among local youngsters, characterised by a balanced mix of street shop clusters catering for both visitors and locals. By the end of 2017, total private commercial stock in the Yau Tsim Mong area is expected to amount to 22.8 million sq. ft, representing 46% of total stock in Kowloon and 19% of the total in Hong Kong.

4.3 Supply

According to the Rating and Valuation Department, the supply of commercial property has undergone a continuous growth between 2013 and 2017, providing an average of approximately 843,700 sq. ft per annum. The completion in 2016 skyrocketed 80% to over 1.3 million sq. ft and slight dropped by 15% to 1.1 million sq. ft in 2017. Kowloon area contributed 40% of the total supply in 2017, in which Yau Tsim Mong accounted for the largest proportion at 18%.

Supply is expected to increase in the coming five years, with an average private retail supply of about 1.1 million sq. ft per year between 2018 and 2022. According to the Rating and Valuation Department, 1.82 million sq. ft and 1.11 million sq. ft of commercial properties are forecast to be completed in 2018 and 2019 respectively. Supply in 2018 will mainly be concentrated in Tsuen Wan at 27%, Yau Tsim Mong at 21% and Sai Kung at 15%. They will altogether provide 63% of the estimated completions. In 2019, main source of supply will be Yau Tsim Mong, Tsuen Wan and Wan Chai. They will account for 22%, 21% and 18% of the total completions respectively.

4.4 Take-up and vacancy

Take-up in the past decade was mainly positive, averaging 368,700 sq. ft per annum. The take-up trended down between 2013 and 2016 due to the falling supply levels and softened retail market sentiment. It showed a rebounded in 2017, reaching about 824,500 sq. ft according to the Rating and Valuation Department.

Vacancy rate declined to 6.9% from 2008 to 2012 but edged up to 9% in 2017 amid softened retail sales.^{xi} With the recovering retail sales and the growing popularity of light refreshments especially Taiwanese drink brands, it is expected that retailers will be filling up the vacant shops and the vacancy rate will be driven down.

4.5 Rental trends

The rental growth in retail market has slowed down from 2014 and showed a 2.1% decrease in 2016.^{xii} A positive retail rental growth was recorded in 2017, mainly supported by the rebound of retail sales in medicines and cosmetics, and luxury items like jewellery and watches. Driven by the sustained strong local demand and the surging visitor arrivals, retail sales have demonstrated an upward movement with a 13.4% YOY growth in the first half of 2018 and it is projected that the retail sales will grow 8-10% in 2018^{xiii}. Market sub-sectors focusing on lifestyle, luxury items, medicines & cosmetics and food & beverage remained active. Overall rents stayed flat in the first half of 2018.

High-street rents in Mong Kok, Tsim Sha Tsui and Causeway Bay trended up in 2018. In general, high-street rents in major retail districts had a mild uptick of 1-3% YOY in 2018 due to the strong take-up and will accelerate gradually through 2020, with an average of 4% increase per annum from 2019 to 2022^{xiv}. The future infrastructure such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link may benefit the retailers in West Kowloon Districts and adjacent areas, promoting the rental growth in the districts.

Valuation Report

4.6 Price trends

The price of retail properties has experienced a robust growth between 2010 and 2013, averaging an increase of 27% per annum according to Colliers Research. The growth rate slowed down in 2014 and picked up towards the end of 2015. Following a fall in price level in 2016 amid a softened retail market, it gained momentum again in 2017-2018 and it is expected that the trend will continue in 2019. The successful sale of 12 malls owned by LINK REIT for HK\$12 billion in the fourth quarter of 2018 has also demonstrated investors' optimism about Hong Kong's retail sector.

4.7 Outlook

The tightened capital controls in China and the weakening Renminbi might have affected the tourist arrivals and their spending in the third quarter of 2018. However, the retail market in Hong Kong appears to be shrugging off the negative sentiment over the past three years, with both retail sales, overall retail property price and rents stabilizing in the first quarter of 2018. Supported by the firm demand in the local districts and the recovering retail sales volume and value, the prospect of retail market remains positive. The external uncertainties are expected to have limited impact on the local retail market.

Meanwhile, mid-end positioned retail premises and street shops are expected to be resilient as domestic spending remains steady on the back of stable employment market, which will support mid-end retail as well as necessities spending.

With the completion of the mega infrastructure project, HongKong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link, in the second half of 2018 and enhanced connectivity to the major cities in the mainland China, the commercial demand is expected to continue its growth momentum in the short-to medium-term. Especially, West Kowloon and high streets in Tsim Sha Tsui are expected to benefit from increased demand from travellers between Hong Kong and the mainland China. The positive spill-over effect in West Kowloon and Tsim Sha Tsui might as well benefit the nearby shopping locations like Mong Kok.

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**30 January 2019****EAGLE ASSET MANAGEMENT (CP) LIMITED**

SUITE 3008, 30/F, GREAT EAGLE CENTRE
23 HARBOUR ROAD
WANCHAI
HONG KONG

(THE MANAGER FOR CHAMPION REAL ESTATE INVESTMENT TRUST "CHAMPION REIT")

AND

HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED

17/F, TOWER 2 & 3, HSBC CENTRE
1 SHAM MONG ROAD
KOWLOON
HONG KONG
(THE TRUSTEE FOR CHAMPION REIT)

DEAR SIR/MADAM,**Re: Valuation of Three Garden Road, Central, Hong Kong (the "Property")****1.1 Instructions**

In accordance with the instructions for us to value the Property, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the leasehold interests of the Property in its existing state as at 31 December 2018 (the "Valuation Date") for reporting purposes.

Valuation Report

1.2 Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Property and we are independent of Champion REIT, the Trustee and the Manager.
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of property.
- The valuations have been prepared on a fair and unbiased basis.

1.3 Basis of Valuation

Our valuation is made on the basis of Market Value, which is defined as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

1.4 Valuation Standards

The valuations have been carried out in accordance with “The HKIS Valuation Standards (2017 Edition)” published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in August 2014.

1.5 Valuation Rationale

In the course of our valuations, we have adopted **Income Approach – Term and Reversion Method**. This valuation method estimates the value of properties or assets on a market basis by capitalizing net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses. Our adopted capitalization rate of the retail and office accommodations is 4.25% and 3.6% respectively.

This analysis has then been cross-checked by the **Market Approach** assuming sale of the Property in its existing state and by making reference to comparable sale transactions as available in the relevant market. By analysing sales which qualify as ‘arms-length’ transactions, between willing buyers and sellers, relevant adjustments are made when comparing such sales against the Property.

1.6 Title Investigations

We have not been provided with extracts from title documents relating to the Property but have conducted searches at the Land Registry. We have not, however, been provided with the original documents to verify the ownership, nor to ascertain the existence of any amendments which may not appear on our searches. We do not accept any liability for any interpretation which we have placed on such information, which is more properly in the sphere of your legal advisers.

1.7 Sources of Information

We have relied to a considerable extent on the information provided by the Manager on such matters as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Manager that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable.

1.8 Site Measurement

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct.

1.9 Site Inspections

We have inspected the exteriors and the interiors of the Property. Our inspections of the Property were carried out by Stella Ho (MRICS and MHKIS) from 10 December 2018. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuations have been prepared on the assumption that these aspects are satisfactory.

Valuation Report

1.10 Caveats and Assumptions

Our valuations have been made on the assumption that the Property can be sold on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect their values although they are subject to the existing management agreements and lease agreements.

No allowances have been made in our valuations for any charges, mortgages or amounts owing neither on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

This report and our valuations are for the use of the REIT Manager and the Trustee of Champion REIT and the report is for the use only of the parties to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of these valuations.

We have made the following assumptions:

- All information on the Property provided by the Manager is correct.
- Proper ownership titles of and relevant planning approvals for the Property has been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules, a standard Tenancy Agreement and a Licence Agreement by the Manager. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- As instructed, we have relied upon carpark numbers as advised by the instructing party. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.
- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.

- No acquisition costs or disposal costs have been taken into account in the valuations.
- The Government Leases will be renewed upon expiry on normal terms.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong dollars (HK\$).

Our valuations of the Property are set out on the Valuation Particulars attached hereto, which together with this covering letter, form our valuation report.

Yours sincerely,

For and on behalf of

Colliers International (Hong Kong) Limited

Stella Ho

BSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA

Registered Real Estate Appraiser PRC

Director

Valuation & Advisory Services

David Faulkner

BSc (Hons) FRICS FHKIS RPS (GP) MAE

Managing Director

Valuation & Advisory Services – Asia

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region ("Hong Kong"). She is suitably qualified to carry out the valuation and has over 18 years' experience in the valuation of properties of this magnitude and nature.

Note: David Faulkner is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region. He is suitably qualified to carry out the valuation and has over 38 years' experience in the valuation of properties of this magnitude and nature, and over 37 years' experience in Hong Kong and China.

Valuation Report

2 VALUATION PARTICULARS

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018	Estimated Net Property Yield																														
Three Garden Road, Central, Hong Kong (the "Property") (See Note 1) 1,449,936/1,650,000 th undivided parts or shares of and in Inland Lot No 8888.	<p>Three Garden Road is an office/commercial/carparking development situated in Central district. It comprises one 47-storey office block, known as Champion Tower, and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.</p> <p>The Property comprises the whole of the retail accommodation and the whole office units of the development. The total floor area and the gross rentable area of the retail and office portions of the Property are approximately as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3">Total Floor Area</th> </tr> <tr> <th>Use</th> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>5,362.41</td> <td>57,721</td> </tr> <tr> <td>Office</td> <td>146,773.78</td> <td>1,579,873</td> </tr> <tr> <td>Total</td> <td>152,136.19</td> <td>1,637,594</td> </tr> </tbody> </table> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3">Gross Rentable Area</th> </tr> <tr> <th>Use</th> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>3,956.99</td> <td>42,593</td> </tr> <tr> <td>Office</td> <td>113,822.46</td> <td>1,225,185</td> </tr> <tr> <td>Total</td> <td>117,779.45</td> <td>1,267,778</td> </tr> </tbody> </table>	Total Floor Area			Use	sq m	sq ft	Retail	5,362.41	57,721	Office	146,773.78	1,579,873	Total	152,136.19	1,637,594	Gross Rentable Area			Use	sq m	sq ft	Retail	3,956.99	42,593	Office	113,822.46	1,225,185	Total	117,779.45	1,267,778	<p>The retail portion of the Property was let under seven tenancies for various terms with the latest expiry date in October 2025, yielding a total monthly rental income of approximately HK\$2.92 million exclusive of rates, management and air-conditioning charges. The retail tenancies, except the Shop No 5 on Lower Ground Floor, were subject to turnover rents. The average monthly turnover rent receivable during the period from November 2017 to October 2018 was approximately HK\$90,460.</p> <p>With exception of the vacant 986.16 sq. m (10,615 sq. ft), the office portion of the Property was let under various tenancies for various terms with the latest expiry date in March 2025, yielding a total monthly rental income of approximately HK\$118.47 million exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.</p>	HK\$49,890,000,000 (Hong Kong Dollars Forty-Nine Billion Eight Hundred and Ninety Million)	3.0%
Total Floor Area																																		
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Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018	Estimated Net Property Yield
	<p>The Property also includes 58 private car parking spaces and a fee paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.</p>	<p>The occupancy rates of the retail and office portions were approximately 100% and 99.1% respectively.</p>		
	<p>Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No. 12063 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>A total of 500 carparks and 50 motorcycle parking spaces were being operated as a fee-paying public carpark and the remaining 58 carparks were occupied as private carparks and let under various licences. The total average monthly gross income receivable for the year ended 31 December 2018 was approximately HK\$1.78 million inclusive of rates and management fees.</p>		
		<p>Various spaces for cellular phone systems were let under four licences for various terms with the latest expiry date in July 2021, yielding a total monthly licence fee of approximately HK\$75,750 exclusive of rates and management fees.</p>		
		<p>A satellite phone antenna, various advertising spaces, the naming right of ICBC Tower and a storeroom on 36th Floor of ICBC Tower were let under three licences with the latest expiry date in June 2021, yielding a total monthly licence fee of approximately HK\$1.54 million exclusive of rates and management fees.</p>		

Valuation Report

Notes:

1. The Property comprises the following portions:

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

2. The registered owner of the respective portions of the Property as at the Valuation Date are set out below:

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

Registered Owner	Portion of the Property
Well Charm Development Limited	38th Floor Champion Tower.
CP (Portion A) Limited	Portion A on 40th Floor and 41st to 50th Floors of Champion Tower. Shop 5 on Lower Ground Floor of the development. Private car parking space nos 118 to 120 and 123 to 131 on Basement 2 of the development.
CP (Portion B) Limited	39th Floor and Portion B on 40th Floor of the Champion Tower. Private car parking space nos 23 to 25 on Basement 2 of the development.
Elegant Wealth Limited	34th, 36th and 37th Floors of Champion Tower. Private car parking space nos 39 to 41 on Basement 2 of the development.

3. The Property is subject to, *inter alia*, the following encumbrances as at the Valuation Date:
- (i). The portion of the Property held by Shine Hill Development Limited (see Note 2), except a portion of 3rd Floor and whole 4th to 6th Floors of Champion Tower, is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HK\$16,117,000,000 dated 26 April 2006.
 - (ii). The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HK\$860,000,000 dated 26 April 2006.
 - (iii). The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HK\$885,000,000 dated 26 April 2006.
 - (iv). The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HK\$363,000,000 dated 26 April 2006.
 - (v). The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HK\$3,841,000,000 dated 26 April 2006.
 - (vi). The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HK\$604,000,000 dated 26 April 2006.
 - (vii). The Property is subject to a memorandum on change of buildings names registered in the Land Registry vide memorial no 16072202320206 dated 28 June 2016.
 - (viii). The following portion of the Property are subject to a legal charge in favour of Hang Seng Bank Limited registered in the Land Registry vide memorial no 16072802200056 dated 28 June 2016:
 - a. All those portions of 5th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors of ICBC Tower held by Shine Hill Development Limited;
 - b. All those Portion A on 31st Floor and 32nd to 33rd Floors of Champion Tower and all those three private car parking space nos 42 to 44 on Basement 2 of the Property held by Panhy Limited;
 - c. All that the whole 38th Floor Champion Tower held by Well Charm Development Limited;
 - d. All those the whole of 39th Floor and Portion B on 40th Floor of Champion Tower and all those three private car parking space nos 23 to 25 on Basement 2 of the Property held by CP (Portion B) Limited; and
 - e. All those the whole of the 34th, 36th and 37th Floors of Champion Tower and all those three private car parking space nos 39 to 41 on Basement 2 of the Property held by Elegant Wealth Limited.

Valuation Report

- (ix). The following portion of the Property are subject to a legal charge in favour of Hang Seng Bank Limited registered in the Land Registry vide memorial no 16072802200061 dated 28 June 2016:
- a. All those portions of 3rd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 28th Floors of Champion Tower, 2nd to 4th Floors of ICBC Tower, all those Retail Shops 1 to 4 and Restaurant Space on Lower Ground Floor of the Property, all those 35 private car parking space nos 5 to 20, 26 to 33, 45 to 51, 121 to 122 and 166 to 167 on Basement 2 and all that the public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the Property and all those Reserved Areas, the loading and unloading spaces and others of the Property as defined in the Deed of Mutual Covenant and Management Agreement held by Shine Hill Development Limited;
 - b. All those Portion A on 40th Floor and 41st to 50th Floors of Champion Tower, Shop 5 on Lower Ground Floor of the Property and all those 12 private car parking space nos 118 to 120 and 123 to 131 on Basement 2 of the Property held by CP (Portion A) Limited; and
 - c. All those the whole of 29th to 30th Floors and Portion B on 31st Floor of Champion Tower and all those two private car parking space nos 21 to 22 on Basement 2 of the Property held by Maple Court Limited.
4. The Property lay within an area zoned "Commercial" under the Central District (HPA 4) Outline Zoning Plan No S/H4/16 approved on 1 November 2016 as at the Valuation Date.
 5. Pursuant to Occupation Permit No H63/92 and the approved building plan of Three Garden Road, each of the 3rd Floor and the 4th Floor of Champion Tower is mainly designated as a restaurant with kitchen. Nevertheless, we have valued the aforesaid portions of the Property on office use basis that all necessary approvals have been obtained from the relevant Government authorities for office use.
 6. The rentals reported herein are the total of the face rentals without taking into account of any rent free periods or the turnover rents received, if any.
 7. The breakdown market values in respect of different portions of the Property is set out below:

Use	Market Value as at 31 December 2018
Retail:	670,000,000
Office:	48,254,000,000
Carpark:	614,000,000
Miscellaneous:	352,000,000
Total:	49,890,000,000

8. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (excluding car parking spaces and the licenced miscellaneous premises) as at 31 December 2018 is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq. ft)	% of total
Leased	1,214,570	99.1
Vacant	10,615	0.9
Total	1,225,185	100

Lease Commencement Profile

Year	Gross Rentable Area (sq. ft)	% of total	* Monthly Rental# (HK\$)	% of total	No. of Tenancy	% of total
2013	119,992	9.9	\$11,939,784	10.1	3	2.0
2014	97,663	8.0	\$9,712,912	8.2	6	4.1
2015	161,427	13.3	\$13,114,420	11.1	7	4.7
2016	321,889	26.5	\$27,765,233	23.4	38	25.7
2017	299,826	24.7	\$30,408,788	25.7	49	33.1
2018	213,773	17.6	\$25,527,902	21.5	45	30.4
Total	1,214,570	100	\$118,469,039	100	148	100

Lease Expiry Profile

Year	Gross Rentable Area (sq. ft)	% of total	* Monthly Rental# (HK\$)	% of total	No. of Tenancy	% of total
2018	5,019	0.4	\$406,539	0.3	1	0.7
2019	297,565	24.5	\$28,097,133	23.7	49	33.1
2020	442,817	36.5	\$46,840,160	39.5	51	34.4
2021	418,912	34.5	\$37,025,228	31.3	43	29.1
2022	15,960	1.3	\$1,497,321	1.3	3	2.0
2025	34,297	2.8	\$4,602,658	3.9	1	0.7
Total	1,214,570	100	\$118,469,039	100	148	100

Lease Duration Profile

Year	Gross Rentable Area (sq. ft)	% of total	* Monthly Rental# (HK\$)	% of total	No. of Tenancy	% of total
1	26,784	2.2	\$2,996,068	2.5	5	3.4
2	140,578	11.6	\$14,255,970	12.0	25	16.9
3	421,475	34.7	\$45,246,063	38.2	88	59.4
4	66,926	5.5	\$5,559,617	4.7	6	4.1
5	185,064	15.2	\$14,338,420	12.1	8	5.4
6	207,427	17.1	\$18,267,624	15.5	12	8.1
7	166,316	13.7	\$17,805,277	15.0	4	2.7
Total	1,214,570	100	\$118,469,039	100	148	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes one new letting for a term of approximately six years commencing in June 2019 and twelve renewal tenancies for terms of approximately two years and seven months to six years commencing in between January 2019 and July 2019.

Valuation Report

9. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding the licenced miscellaneous premises) as at 31 December 2018 is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	42,593	100.0
Vacant	0	0.0
Total	42,593	100

Lease Commencement Profile

Year	Gross Rentable Area (sq. ft)	% of total	* Monthly Rental# (HK\$)	% of total	No. of Tenancy	% of total
2016	38,593	90.6	\$2,360,592	80.7	4	57.1
2017	2,202	5.2	\$391,402	13.4	2	28.6
2018	1,798	4.2	\$172,608	5.9	1	14.3
Total	42,593	100	\$2,924,602	100	7	100

Lease Expiry Profile

Year	Gross Rentable Area (sq. ft)	% of total	* Monthly Rental# (HK\$)	% of total	No. of Tenancy	% of total
2019	787	1.8	\$62,252	2.1	1	14.3
2020	2,202	5.2	\$391,402	13.4	2	28.5
2021	2,180	5.1	\$229,908	7.9	2	28.6
2023	6,907	16.2	\$418,565	14.3	1	14.3
2025	30,517	71.7	\$1,822,475	62.3	1	14.3
Total	42,593	100	\$2,924,602	100	7	100

Lease Duration Profile

Year	Gross Rentable Area (sq. ft)	% of total	* Monthly Rental# (HK\$)	% of total	No. of Tenancy	% of total
3	4,787	11.2	\$626,262	21.4	4	57.1
5	382	0.9	\$57,300	2.0	1	14.3
7	6,907	16.2	\$418,565	14.3	1	14.3
10	30,517	71.7	\$1,822,475	62.3	1	14.3
Total	42,593	100	\$2,924,602	100	7	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

3 OFFICE MARKET OVERVIEW

3.1 Introduction

Hong Kong's economy and property sector continued to gain strength during 2018. Hong Kong Government forecasts that the real GDP to increase by 3.2% in 2018¹, albeit slower amid external uncertainties, notably US-China trade dispute and US interest rate hikes. Hong Kong's PMI picked up momentum towards year end and stayed above 50 in the second half of 2017, indicating that the private sector economy continues to expand. With current global economic conditions remaining robust, Oxford Economics now predicts real GDP growth of 2.8% for Hong Kong in 2018.

The overall economy and labour market stayed strong in the first half of 2018, supporting the leasing demand for office. The banking and finance sector were cautiously expanding, while leasing demand from PRC companies and flexible workspace operators has continued to grow. Relocation across Hong Kong Island has become more generally accepted due to high rents and low vacancies in Central. However, Hong Kong's office investment market has slowed down due to rising concerns about the global economy and the moderate stock market in third quarter of 2018.

3.2 Office Stock

According to the Rating and Valuation Department, by the end of 2017, the total stock of private offices amounted to over 127 million sq. ft, comprising 64% Grade A, 23% Grade B and 13% Grade C. Office completions in 2017 were about 2.13 million sq. ft, representing an increase of 29% from 2016. Looking ahead, about 1.95 million sq. ft and 2.71 million sq. ft of total office space are expected to be completed in 2018 and 2019 respectively. Supply in 2018 will all be shared by Hong Kong Island (56%) and Kowloon (44%), in which Eastern district and Kwun Tong together will provide 76% of the newly completed spaces. In 2019, focus of forecast supply would fall on Sha Tin and Kwun Tong, altogether accounting for 58% of the overall completions. It is also anticipated that Grade A offices will dominate the forecast completions in 2018 and 2019 at 98% and 90% respectively.

Central, being the Central Business District (CBD) of Hong Kong, is one of the referred office locations for international financial institutions and regional headquarters of multinational corporations. Central represented approximately 27.8% of total office stock (35.3 million sq. ft.) and about 22% of the total stock of Grade A offices (18 million sq. ft.) in 2017. Central, together with the other major office areas including Sheung Wan, Wan Chai and Causeway Bay on Hong Kong Island, as well as Tsim Sha Tsui in Kowloon, represented around 49% of total Grade A office stock by the end of 2017.

Valuation Report

3.3 Demand

In the third quarter of 2018, according to Colliers Office Market Research, the positive business sentiment has driven overall Grade A office rents up by 1.1% QOQ, while the overall net take-up recorded about 1.4 million sq. ft. (130,100 sq.m), which is the highest since the third quarter of 2015. In line with the office sales market, land sale market in Hong Kong has been robust so far in 2018, with land price consistently breaking market records.

The overall net absorption of the office market was positive at 651,343 sq. ft as companies continue to expand. In Central/Admiralty, a positive net take-up of 84,832 sq. ft was recorded, higher than last quarter's and the strongest since the third quarter of 2015. In-house expansions have quickly backfilled space being surrendered, while stronger relocation demand has benefited Wan Chai/Causeway Bay and Island East, in which Wan Chai has reported positive net take-up of 167,273 sq. ft in the first quarter of 2018. Net take-up in Island East surged to 1 million sq. ft with in the third quarter of 2018 due to the completion of One Taikoo Place, which has been fully pre-leased. Wong Chuk Hang remained relatively quiet, with net take-up up at 51,206 sq. ft in the first quarter of 2018.ⁱⁱ

Tsim Sha Tsui's net take-up reported a mild decline of 23,678 sq. ft in the first quarter of 2018, while Kowloon East reported a positive net take-up of 117,998 sq. ft.ⁱⁱⁱ Large tenants have moved into new office buildings in Kowloon East to consolidate operations from multiple locations into one space, while flexible workspace operators continued to expand in the district.

3.4 Supply

Hong Kong's Grade A office supply trended down from 2007 to 2016 as a result of a general lack of available sites in core office locations. In 2013–2016, the supply reached an average of 1.7 million sq. ft per annum according to the Rating and Valuation Department, 0.2 million lower than the long-term average. Around 23% of the total supply was located in Hong Kong's traditional CBD Central. Although the supply of Grade A Office was tight during 2012-2016, a new wave of office supply was on the way as 2017 approached. The office supply has increased to 2.7 million sq. ft in 2017, mainly attributed by the completion spree in Kowloon East area. The total floor area of Grade A office space in 2017 was over 81 million sq. ft, 2.8% higher than that of 2016. Meanwhile, Grade A office supply in Yau Ma Tei/Mong Kok area saw no significant supply after the period between 2007 to 2011 when annual average supply stood at 340,400 sq. ft, while no major Grade A office supply is expected in the district in short-term.

Hong Kong is likely to see a rise in office supply from 2018 to 2022. According to the Rating and Valuation Department, new Grade A office supply in 2019 will go up to over 2.4 million sq. ft, 26% higher than that in 2018, mainly attributed by the completion in Shatin and Kwun Tong. New Grade A office supply is projected to reach an annual average of approximately 2.5 million sq. ft, up 76% from the average over the past five years according to Colliers Office Market Research. While office take-up varies with market conditions and business environment every year, the future office supply level is expected to be above the annual average take-up of about 1.73 million sq. ft per annum over the last 20 years (1997 to 2016).

Analysing the future supply by districts, it is worth noting that most of the future supply will be located outside the core business districts in Hong Kong, namely Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui districts. These districts will represent about 31% of the total supply in the coming five years (2018 to 2022). The Kowloon East area, also the new Central Business District (“CBD2”) will be the area providing the largest office supply. The area is expected to add about 3.2 million sq. ft. or 41% to the total new office supply of Hong Kong between 2018 and 2022. ^{iv}

3.5 Take-up and vacancy

Demand for office space in Hong Kong has generally remained resilient in the past despite a number of economic downturns. Vacancy rates of Grade-A offices have experienced a moderate increase since the third quarter of 2011, rising around one percentage point to reach 3.4% by the end of 2012. Despite this, overall vacancy rate of Grade-A offices went down to 3.9% in third quarter of 2018 which is the lowest in 27 months. Vacancy rate in Central/Admiralty dropped from 1.9% in second quarter to 1.3% in third quarter of 2018.^v

Overall net take-up has increased to 928,160 sq. ft in the second quarter of 2018. Particularly in Central/Admiralty, a positive net take-up of 3,762 sq. ft was recorded; while a net take-up of 42,614 sq. ft was recorded in Wan Chai/Causeway Bay. In third quarter of 2018, a quarterly net take-up reached 1.4 million sq. ft, the strongest since the fourth quarter of 2015. Net take-up in Island East surged to 1 million sq. ft with the completion of One Taikoo Place. It is expected that an annual net take-up will increase to 2 million sq. ft on average from 2018 to 2022.^{vi}

Driven by the decentralisation trend, Grade A office vacancy rate remained at relatively low levels in decentralised areas. As at third quarter of 2018^{vii}, the vacancy rates in Island East declined to 1.3% and that in Tsim Sha Tsui remained tight at 1.8% as consecutive floors available for lease were rare and the redevelopment of Hutchison House in Central might benefit Tsim Sha Tsui by pushing tenants to this district. The vacancy level of Kowloon East decreased to 10.0% in the third quarter of 2018, as a majority of the office space in a new office building, Mapletree Bay Point has been pre-leased.

3.6 Rental trends

Hong Kong’s Grade A office rent has experienced continuous growth from 2013 to 2017. Following the office demand from the financial sector, particularly Chinese financial companies after the launch of Shanghai-Hong Kong Stock Connect, Grade A office rents in Central recovered since 2015. The average Grade A office rent in the district rose about 13% in 2015. In 2016, the rent rose 6% year on year and edged up another 5% in 2017. In total, according to Rate and Valuation Department, the average Grade A office rent in Hong Kong rose by around 25% from 2013 to 2017. Overall Grade A office rents reached all-time high with a 1.1% QOQ increase in third quarter of 2018^{viii}.

Valuation Report

The positive business sentiment has driven overall Grade A office rents up 3.8% QOQ between the first quarter of 2018 and second quarter of 2018. Rents for Central/Admiralty have increased by 4.5% QOQ in second quarter of 2018 amid a low vacancy rate. Rental growth in the CBD has spill over to lower tier Grade A buildings, as most popular buildings were fully occupied or too expensive, leaving tenants no choice in the CBD area. Some tenants had to search outside the CBD area, which has spread the rental growth to other submarkets on Hong Kong Island. International banks can easily afford the rents in other districts, relocation of their back offices supported rents in Wan Chai/Causeway Bay and Island East to increase 2.8% and 3.7% QOQ, respectively in the third quarter of 2018. The continuous decline of vacancies has driven rental growth in Wong Chuk Hang, up 3.9% QOQ between the fourth quarter of 2017 and the second quarter of 2018. While Kowloon East also gained momentum in rental growth accelerating to 2.8% QOQ in the third quarter of 2018^x.

3.7 Price trends

Compared with rental trend, office price has also experienced considerable increase in the last five years (2013 to 2017). According to the Rating and Valuation Department, average Grade A office price in Hong Kong rose 29% from 2013 to 2017. Hong Kong's office investment market recorded a historical quarter in the fourth quarter of 2017. Overall office investment volume reached HK\$53 billion, which is 5.6 times higher than the 10-year quarterly average of HK\$7.8 billion. Investors have not stopped their buying spree for office properties in 2018 despite compressing yield. A total transaction value of HK\$36.9 billion has been recorded in the second quarter of 2018, up 19.7% QOQ.^x

As the supply of Grade A offices remained limited in the sales market, buyers continued to look for opportunities in the lower tier market. Some other notable en bloc transactions of Grade B offices include the acquisitions of Bonham Circus in Sheung Wan and W Square in Wan Chai, which were sold for HK\$1.7 billion and HK\$2.85 billion respectively.

The strata title market was subdued with rising concerns about the economy uncertainties and stock market. The transaction volume in the strata title market dropped by 23.9% QOQ to HK\$7.34 billion in the third quarter of 2018.

In Central, average Grade A office price in the district saw a 61% growth from 2010 to 2013, followed by a 1% decline amid a softened commercial investment market sentiment in Hong Kong in 2014. The district saw a recovery in price growth in 2015, recording a 4% growth from 2014 estimated from Rate and Valuation Department Data. In 2016, Grade A office price grew about 12% and a further 17% in 2017. Overall Grade A office prices increased 6.5% QOQ supported by several transactions at The Centre, with a unit price of over HK\$40,000 per sq. ft., compared to HK\$30,000-35,000 for most transactions in 2017.

3.8 Outlook

The overall economy and labour market stayed strong in 2018, supporting the leasing demand for office. The banking and finance sector is cautiously expanding, while leasing demand from PRC companies and flexible workspace operators has continued to grow. Based on Colliers' Occupier Survey, the banking and finance sector prefers a good business cluster to lower rental cost. Hence, with its world-class business amenities, Central should continue to be the preferred choice for banks and financial institutes. Kowloon East remains active as new buildings offer large floor plates for MNCs' consolidation.

In general, office demand in Hong Kong is likely to remain firm, notwithstanding any major economic downturn. However, as the Chinese companies have lost their growth momentum amid economic uncertainty, rents in Central will continue to be under pressure as leasing activities remain restrained. We thus expect rent in Central/Admiralty to decline slightly in 2019. Rents in Quarry Bay and Wong Chuk Hang will see faster growth than 2017 due to the relocation of professional firms from Central.

Over a longer term, Hong Kong is expected to see improvements in the market fundamentals – infrastructures in the coming years. Government investments in future infrastructure, including the addition of more mass rapid transit lines such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Shatin-to-Central Link and Three-runway System Development of HKIA will continue to bode well for Hong Kong's long-term business opportunity growth.

Vacant, high quality office space was eventually taken up, even in the face of strong economic turmoil, due to sustained long-term demand for office space. We therefore remain positive about the long-term outlook for premium, Grade-A office buildings in the city, given that Hong Kong's role as a major global financial centre is unlikely to change.

Trustee's Report

TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST

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

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009, the fourth supplemental deed dated 23 July 2010, the fifth supplemental deed dated 13 March 2012, the sixth supplemental deed dated 23 January 2015 and the seventh supplemental deed dated 1 June 2017 for the financial year ended 31 December 2018.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 21 February 2019

Corporate Governance Report

Champion REIT is committed to attaining global best practices and standards for all activities and transactions conducted in relation to the Trust and any matters arising out of its listing or trading on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The current corporate governance framework adopted by the REIT Manager emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures. The REIT Manager has in place a comprehensive set of compliance procedures and guidelines which set out the key processes, systems and measures used to implement this corporate governance framework. The major activities since 2018 are set out below:

- **Amendments to the Compliance Manual**

During the year, the Compliance Manual had been updated to reflect the new Listing Rules amendments on (1) the criteria in assessing the independence of Independent Non-executive Directors and (2) the Terms of Reference of Audit Committee and other housekeeping amendments. Version 7 of the Compliance Manual had been approved by the Board of Directors on 22 November 2018 and the same had been submitted to the Securities and Futures Commission ("SFC") for filing accordingly.

- **General Mandate to Buy-back Units**

A general mandate for buy-back no more than 10% of Units in the open market was granted by the Unitholders at the annual general meeting of Champion REIT held on 9 May 2018.

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 SFC pursuant to the provisions of the SFO, the Code on Real Estate Investment Trusts ("REIT Code") and the Listing Rules.

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Ms. Wong Ka Ki, Ada, the Chief Executive Officer and Executive Director, Ms. Lau Yee Tong, Yvonne, the Chief Operating Officer – Asset Management and Mr. Kwong Chi Kwong, the Chief Operating Officer – Risk Management 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.

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

Corporate Governance Report

GOVERNANCE PRACTICES

Roles of the Trustee and the REIT Manager

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

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 ("MIC"). 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	Chief Operating Officer – Asset Management and Internal Audit Manager
4. Risk Management	Internal Audit Manager
5. Finance and Accounting	Senior Finance Manager and Business Development Director*
6. Information Technology	Chief Operating Officer – Risk Management
7. Compliance	Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	Chief Operating Officer – Risk Management and Compliance Manager

* Appointed as MIC on 20 February 2019

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors. The Board currently comprises 7 members, with 1 Executive Director and 6 Non-executive Directors (including 4 Independent Non-executive Directors).

The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Lo Ka Shui who is a Non-executive Director. The Chief Executive Officer is Ms. Wong Ka Ki, Ada who is an Executive Director. The composition of the Board of the REIT Manager during the year is set out below:

Non-executive Directors

LO Ka Shui (*Chairman*)

IP Yuk Keung, Albert

Executive Director

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

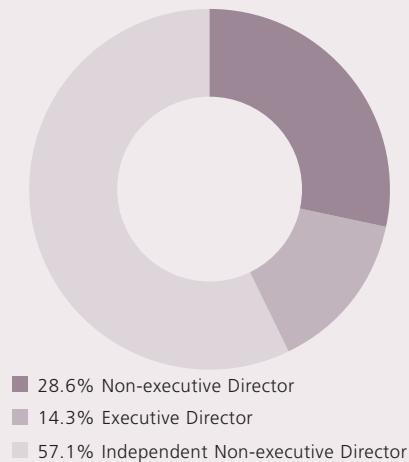
Independent Non-executive Directors

CHA Mou Sing, Payson

CHENG Wai Chee, Christopher

HO Shut Kan

SHEK Lai Him, Abraham



Biographical details of the Directors are set out in this Annual Report on pages 12 to 16 and published on the Trust's website at www.ChampionReit.com.

In accordance with the articles of association of the REIT Manager, one-third of the Directors shall retire from office at every annual general meeting of the REIT Manager, or if their number is not a multiple of three, then number nearest to one-third shall retire from office. A retiring Director shall be eligible for re-election provided that if the retiring Director is an Independent Non-executive Director who serves the Board for more than 9 years, his further appointment shall be subject to the approval of the Unitholders at the Annual General Meeting of Champion REIT by way of an Ordinary Resolution.

Dr. Lo Ka Shui is the chairman and non-executive director and Mr. Ip Yuk Keung, Albert is the executive director and chief executive officer of the manager of the publicly listed trust, Langham Hospitality Investments, of which Great Eagle has a 63.14% interests. Save as disclosed above, there are no other financial, business, family or other material or relevant relationships between board members.

Mr. Lo Kai Shui retired by rotation as a Non-executive Director of the REIT Manager with effect from 28 June 2018 at the 2018 annual general meeting of the REIT Manager held by way of resolutions in writing of the sole shareholder in accordance with the Articles of Association of the REIT Manager.

Corporate Governance Report

Set out below is a summary of expertise and responsibilities of each Board Member.

	Expertise	Responsibilities
Non-executive Directors		
LO Ka Shui (<i>Chairman</i>)	Property and hotel development and investment both in Hong Kong and overseas	Ensuring effective operation of the Board and all key and appropriate issues are discussed and considered by the Board in a timely manner; and leading the Board to establish good corporate governance practices and procedures of the REIT Manager
IP Yuk Keung, Albert	International banking, investment and financing	Formulation of strategic directions and high level oversight of the management and operations of the Trust
Executive Director		
WONG Ka Ki, Ada (<i>Chief Executive Officer</i>)	Investment and financing	Responsible for all day-to-day operations; supervising the management team to ensure that the Trust is operated in accordance with the stated strategy, policies and regulations; implementing the corporate governance practices adopted by the REIT Manager; and chairing the Disclosures Committee
Independent Non-executive Directors		
CHA Mou Sing, Payson	Property development and investment	Scrutinizing and monitoring the Trust 's performance; giving independent judgment, strategic advice and guidance on the business and operations; and ensuring the REIT Manager follows good corporate governance practices
CHENG Wai Chee, Christopher	Property development	Scrutinizing and monitoring the Trust 's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices
HO Shut Kan	Property development	Scrutinizing and monitoring the Trust 's performance; giving independent judgment, strategic advice and guidance on the business and operations; and ensuring the REIT Manager follows good corporate governance Practices
SHEK Lai Him, Abraham	Property development, real estate and construction	Chairing the Audit Committee; scrutinizing and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices

Board Diversity

The REIT Manager has in place a policy concerning diversity of board members. The REIT Manager believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Board shall be on merit, in the context of the skills and experience the Board as a whole requires to be effective, and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the nomination process including legal and regulatory requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions like gender, age, cultural or educational background when short listing candidates. The REIT Manager believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background and other qualities of Directors. The Chairman of the Board should be a Non-executive Director of the REIT Manager and at least one-third, and a minimum of three members of the Board should be Independent Non-executive Directors.

Nomination

The REIT Manager has in place a Nomination Policy. The objective of the Nomination Policy is to assist the REIT Manager in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the REIT Manager.

The Audit Committee is delegated by the Board of Directors to shortlist any and all candidates. The Audit Committee shall consider any and all candidates recommended as nominees for Directors to the Audit Committee by any Directors or shareholders of the REIT Manager in accordance with the REIT Manager's Compliance Manual. The Audit Committee may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The Audit Committee shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of Independent Non-executive Directors) to effectively represent the best interests of all the Unitholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. The Audit Committee may use any process it deems appropriate for the purpose of evaluating candidates including personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors shall be evaluated using a substantially similar process.

Board Responsibilities

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

Corporate Governance Report

Key Reserved Matters to the Board

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

Independence

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

All Independent Non-executive Directors of the REIT Manager have served the Board for more than 9 years. Notwithstanding their length of service, the Board is of the view that they demonstrate complete independence in character and judgment both as Board members and in their designated roles. The Board also believes that they continue to bring independent view of the affairs of Champion REIT to the Board and their in-depth knowledge of the Trust's business and their extensive experience continue to provide invaluable contribution to the Board.

Continuing Professional Development

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

During the year ended 31 December 2018, the Directors received information packages with focus on the topics of the asset management and monitor on real estate sector, consumer behavior, global economics environment and latest update of statutory and regulatory requirements relevant to the Directors. Each of the Directors has confirmed that they have participated in no less than 10 training hours during the year ended 31 December 2018, and all the Directors had provided confirmation on their respective training records to the REIT Manager.

Directors' Time Commitments

During the year ended 31 December 2018, each of the Directors has confirmed that they have spent sufficient time and attention to the affairs of Champion REIT.

Supply of and Access to Information

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

Induction

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

Independent Professional Advice

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

Insurance

During the year ended 31 December 2018, appropriate directors' and officers' liabilities insurance and professional indemnity insurance have been arranged in respect of legal action against the Directors and officers of the REIT Manager and the provision of professional services by the REIT Manager to the Trust.

Disclosure on Remuneration

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

Corporate Governance

Report

Pursuant to the announcement of Champion REIT dated 30 November 2012 and according to Clause 11.1.2 of the Trust Deed in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 50% of the Manager's Fee arising from the real estate owned by Champion REIT for the financial year 2018 in the form of Units and the remaining 50% in cash. The Manager's Fee for the year ended 31 December 2018 amounted to approximately HK\$289 million, being 12% of the net property income of Champion REIT for such services rendered during the year.

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

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

Delegation

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

Audit Committee

The REIT Manager established an Audit Committee and adopted the terms of reference in 2006. The written terms of reference of the Audit Committee are available upon request. The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's risk management and internal control systems. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

Audit Committee's Principal Responsibilities

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

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 members of the Audit Committee are appointed by the Board of Directors from among the Non-executive Directors of the REIT Manager and a majority of the members of the Audit Committee are required to be Independent Non-executive Directors.

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

Corporate Governance Report

Summary of Major Work Done of the Audit Committee in 2018

During the year 2018, two physical meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee during the year 2018:

- reviewed the Reports of the Internal Auditor;
- reviewed the audited financial statements for the year ended 31 December 2017 and the unaudited financial statements for the six months ended 30 June 2018, with particular regard to the qualitative aspects of Champion REIT's accounting practices including the following major judgmental issues:
 - (1) the intention and ability to hold the held-to-maturity investments in light of the capital maintenance and liquidity requirements of Champion REIT;
 - (2) the treatment of deferred taxation on changes in fair value of the investment properties of Champion REIT situated in Hong Kong;
 - (3) the processes and method of valuation of the investment properties and the non-quoted derivative financial instruments of Champion REIT.
- reviewed the Annual Report comprising the Corporate Governance Report and the Environmental and Social Review; and the Final Results Announcement for the year ended 31 December 2017;
- reviewed the Interim Report and the Interim Results Announcement for the six months ended 30 June 2018;
- reviewed the Reports from the External Auditor;
- considered and recommended the Board on the re-appointment of External Auditor and approved the terms of engagement;
- reviewed the legal and regulatory compliance matters for the year ended 31 December 2017 and for the six months ended 30 June 2018, which included, among others, the Reports on Connected Party Transactions;
- reviewed and approved the 2018 annual budget/forecasts and annual business plan prepared by the REIT Manager; and
- reviewed the effectiveness of risk management and internal control systems.

Disclosures Committee

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

Disclosures Committee's Principal Responsibilities

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

The members of the Disclosures Committee are appointed by the Board of Directors from among the Directors. It 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.

Summary of Major Work done of the Disclosures Committee in 2018

During the year 2018, two physical meetings of the Disclosures Committee were held, and one written resolution were passed by all members of the Disclosures Committee. The following is a summary of the major work done of the Disclosures Committee during the year 2018:

- reviewed the disclosure checklist and approved the 2017 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2017, the payment of Manager's fee in cash and Units and the final distribution;
- reviewed the disclosure checklist and approved the draft Circular to Unitholders in relation to the General Mandate to Buy-back Units of Champion REIT, Re-election of Independent Non-Executive Directors and the Notice convening the 2018 Annual General Meeting; and
- reviewed the disclosure checklist and approved the 2018 Interim Report of Champion REIT and announcements in relation to the interim results for the six months ended 30 June 2018, the payment of Manager's fee in cash and Units and the interim distribution.

Corporate Governance

Report

Board and Board Committee Meetings

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

Proceedings of the Board and Board Committees

- At least 14 days' formal notice of regular Board and Board Committee meetings will be given by the Company Secretary to all Directors, and all Directors are given the opportunity to include any matters for discussion in the agenda. For special Board and Board Committee meetings, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Board Committee meeting.
- The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.
- If a substantial unitholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- Minutes of all Board and Board Committee meetings are kept by the Company Secretary and are available for Directors' inspection. Draft and final versions of minutes are sent to all Directors in a timely manner for their comment and record.

The attendance of individual Directors and committee members in 2018 is set out in the table below:

Number of Meeting(s) Attended/Eligible to Attend in 2018

Name of Directors	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting	2018 Annual General Meeting
Non-executive Directors				
LO Ka Shui (<i>Chairman</i>)	4/4	2/2	2/2	1/1
IP Yuk Keung, Albert	4/4	–	–	1/1
Attendance Rate	100%	100%	100%	100%
Executive Director				
WONG Ka Ki, Ada (<i>Chief Executive Officer</i>)	4/4	–	2/2	1/1
Attendance Rate	100%	–	100%	100%
Independent Non-executive Directors				
CHA Mou Sing, Payson	3/4	–	–	0/1
CHENG Wai Chee, Christopher	4/4	2/2	–	1/1
HO Shut Kan	3/4	1/2	–	0/1
SHEK Lai Him, Abraham	4/4	2/2	2/2	1/1
Attendance Rate	88%	83%	100%	50%
Overall Attendance Rate	93%	88%	100%	71%

Company Secretary

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

Management of Business Risk

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

Corporate Governance Report

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team currently comprises the Chief Executive Officer, the Investment and Investor Relations Director, the Business Development Director, the Chief Operating Officer – Asset Management, the Chief Operating Officer – Risk Management, the Senior Finance Manager, the Compliance Manager and the Internal Audit Manager. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing among the team members. In 2018, twelve meetings were held by the management team.

Whistle-blowing

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

Conflicts of Interests and Business Competition with Great Eagle

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. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. Moreover, Dr. Lo Ka Shui and Mr. Ip Yuk Keung, Albert are directors of Great Eagle and/or its affiliate 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.

Business Competition

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

Conflict of Interest

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

Estate Management Services

With respect to estate management services, Longworth and GEPM together have established a team of more than 200 full-time staff exclusively dedicated to carrying out property management services in respect of 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.

Leasing and Marketing

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

Procedures to deal with Conflicts of Interests

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

- In respect of matters in which a Director has an interest, direct or indirect, in any contract or arrangement to which Champion REIT (whether through the REIT Manager or the Trustee) is a party, such interested Director shall disclose his/her interest to the Board and abstain from voting at a meeting of the Directors at which the relevant matters are to be decided.
- The REIT Manager is a dedicated manager to Champion REIT and will not manage any other real estate investment trust or be involved in any other real property business.
- The majority of the Board is not related to Great Eagle and the Independent Non-executive Directors will act independently for the interests of Champion REIT.
- The management structure of the REIT Manager includes the Audit Committee and the Disclosures Committee to promote a high level of corporate governance and address any potential conflicts of interests with Great Eagle.
- The REIT Manager has adopted the Compliance Manual and Operations Manual which set out detailed compliance procedures in connection with its operations.
- The REIT Manager has employed a team of senior management and employees on a full time basis who will not maintain any other roles apart from their roles within the REIT Manager.
- 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.

Corporate Governance Report

Reporting and Transparency

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

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

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the external auditor of Champion REIT amounted to HK\$2,310,000 (2017: HK\$2,090,000) for audit and audit related services, and HK\$640,700 (2017: HK\$610,000) for non-audit services.

General Meetings

Attendance

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The 2018 annual general meeting of Champion REIT was held on 9 May 2018; Dr. Lo Ka Shui, Mr. Ip Yuk Keung, Albert, Ms. Wong Ka Ki, Ada, Mr. Cheng Wai Chee, Christopher and Mr. Shek Lai Him, Abraham attended the meeting and the external auditor was also available at the meeting to answer any questions raised by the Unitholders in respect of the audit.

Notice

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

Quorum

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

Voting

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

Poll Vote

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

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

Proceedings of General Meetings

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

Corporate Governance Report

Communication with Unitholders

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

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

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

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

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

Distribution

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. The effective payout ratio for the year ended 31 December 2018 is 95%.

Matters to be decided by Unitholders by Special Resolution

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

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

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

Issue of Further Units

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the Trust Deed and the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights in certain circumstances up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate.

Corporate Governance Report

The REIT Manager and Champion REIT may issue Units or convertible instruments to a connected person, without the requirement of obtaining Unitholders approval under certain circumstances, including where: (i) the connected person receives a pro rata entitlement in its capacity as a Unitholder; or (ii) Units are issued to the connected person to satisfy part or all of the REIT Manager's remuneration; or (iii) Units are issued to the connected person pursuant to a reinvestment of distribution in accordance with the Trust Deed, subject to certain conditions.

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

As at 31 December 2018, the total number of issued Units of Champion REIT was 5,847,092,804. As compared with the position of 31 December 2017, a total of 24,064,684 new Units were issued during the year.

Date	Particulars	No. of Units
1 January 2018	Number of issued Units	5,823,028,120
1 March 2018	Issue of new Units 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 in respect of the real estate held by Champion REIT of approximately HK\$66,117,500 payable by Champion REIT for the six months ended 31 December 2017	11,870,272
31 August 2018	Issue of new Units to the REIT Manager at the price of HK\$5.79 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$70,605,700 payable by Champion REIT for the six months ended 30 June 2018	12,194,412
31 December 2018	Number of issued Units	5,847,092,804

Risk Management and Internal Control Systems

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

- (a) A good control environment including well defined organizational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the REIT Manager;
- (c) Appropriate risk mitigating activities including clear and written policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives of the REIT;

- (d) Effective information platforms to facilitate internal and external information flow; and
- (e) Structured Internal Audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the Internal Audit function, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

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

Based on the results of the internal audit reviews for the year ended 31 December 2018 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the REIT Manager has maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2018.

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

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the "Code on Securities Dealings") governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to the Code on Securities Dealings, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself/herself or others. The Code on Securities Dealings also extends to senior executives and officers of the REIT Manager. Specific enquiry has been made with the REIT Manager's Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2018.

The REIT Manager has in place a policy on the preservation and prevention of misuse of inside information setting out the principles and procedures for handling and disclosing inside information and such policy has been incorporated in the Compliance Manual and communicated to the REIT Manager's Directors, senior management and licensed representatives.

Corporate Governance

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

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

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

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

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 9 May 2018. During the year ended 31 December 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.

REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the year ended 31 December 2018.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 28 February 2019 is set out below:

As at 28 February 2019	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$)	Mark-to-market Value (HK\$)	Weighting of GAV	Credit Rating
KERPRO 5 $\frac{7}{8}$ 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296,000	62,185,000	0.0736%	N/A
NANFUN 5 $\frac{1}{2}$ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	9,607,000	0.0114%	S&P BBB-
NANFUN 4 $\frac{7}{8}$ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	55,481,000	0.0657%	S&P BBB-
NWDEVL 5 $\frac{1}{4}$ 02/26/21	Bond	HKEX	BVI	USD	41,574,000	40,312,000	0.0477%	N/A
PCCW 5 $\frac{3}{4}$ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	49,254,000	0.0583%	S&P BBB
Total					224,911,000	216,839,000	0.2566%	

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.

COMPLIANCE WITH COMPLIANCE MANUAL

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

PUBLIC FLOAT

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

REVIEW OF ANNUAL REPORT

The annual report of Champion REIT for the year ended 31 December 2018 has been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2018. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2018 have been audited by the Independent Auditor, Messrs. Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of Champion REIT for the year ended 31 December 2018 is set out in the Independent Auditor's Report on pages 126 to 130 of this Annual Report.

Connected Party Transactions Report

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

CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group for the 12 months ended 31 December 2018 ("Year").

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 Annual Report on pages 121 to 124. 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 Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	446,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	375,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ²	5,827,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	58,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ³	7,158,000
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	14,843,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	922,000
Total			29,629,000⁷

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	79,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ²	707,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ³	884,000
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ⁴	1,811,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Building management fee income ⁵	104,000
Total			3,585,000⁷

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	421,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	108,627,000 ⁶
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	2,101,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	8,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Marketing expense	10,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	268,000
Total			111,435,000⁷

Connected Party Transactions

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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 Year 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 Year end date.
3. A security deposit by way of cash of approximately HK\$2,103,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Year end date.
4. Security deposits by way of corporate guarantee and cash in the amount of HK\$7,669,000 and HK\$7,669,000 respectively provided by Best Come Limited were held by the Trust as at the Year end date.
5. Security deposits by way of corporate guarantee and cash in the amount of HK\$1,601,000 and HK\$1,661,000 respectively provided by Ease Treasure Investment Limited were held by the Trust as at the Year end date.
6. Out of this HK\$108,627,000, approximately HK\$105,271,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$3,356,000 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; so as to enable the Mall Estate Manager to make payment of estate management expenses.
7. The annual value of the Connected Party Transactions were within the respective annual limits set out in the following table as approved by the unitholders in the Extraordinary General Meeting held on 13 December 2016:

	Annual Limit for the year ended 31 December 2018 HK\$
I. Revenue	
Rental income	70,593,000
Building management fee	9,172,000
Total:	79,765,000
II. Expenditure	
Estate management transactions	245,588,000
Potential property management agreement(s) transactions	42,599,000
Total:	288,187,000

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 Year HK\$
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	105,271,000
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	3,356,000

Connected Party Transactions Report

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

Name/ Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	2,912,000
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	50,741,000
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	116,367,000 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	182,739,000 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 Year end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Year end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Three Garden Road as at the Year end date.
4. Out of this HK\$116,367,000, approximately HK\$80,329,000 represented the amount of property and lease management service fee paid, approximately HK\$27,845,000 represented the amount of rental commission paid and approximately HK\$8,193,000 represented the amount of reimbursement paid to The Great Eagle Properties Management Company, Limited as delegate for operating the carparks of Langham Place and Three Garden Road.
5. Out of this HK\$182,739,000, approximately HK\$163,189,000 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.

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\$288,639,000 being the 12% of the net property income of Champion REIT for such services rendered during the Year is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

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 Year, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$144,319,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$144,320,000.

Other Miscellaneous Expenditure

An amount of HK\$126,000 in respect of the venue rental fee for investor relations event during the Year was paid by Champion REIT to Best Come Limited, a wholly-owned subsidiary of Great Eagle.

An amount of approximately HK\$113,000 in respect of the accommodation costs incurred during the Year was paid by Champion REIT to Great Eagle Hotels (UK) Limited and 上海禮興酒店有限公司, both wholly-owned subsidiaries of Great Eagle.

Connected Party Transactions Report

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

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

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

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

Connected Party Transactions – Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	5,704,000
HSBC Group	Trustee Connected Persons	Bank charge	135,000
HSBC	Trustee Connected Persons	Interest expense of interest rate swap	200,000
Hang Seng Bank Limited ¹ (“Hang Seng”)	Trustee Connected Persons	Loan interest/expense	219,879,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swaps contracts with HSBC during the Year. The total notional amount in respect of such swap contracts with HSBC was US\$386,400,000 as at the Year 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 Year. 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 Year. 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\$1,500 million being prepaid upto 31 December 2018. The total outstanding loans as at 31 December 2018 amounted to HK\$9,500 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 Year, the trustee fee of approximately HK\$14,084,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

During the Year, the valuation fee of approximately HK\$17,000 and HK\$295,000 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.

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

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

- (i) in the ordinary and usual course of business of Champion REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Champion REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the REIT Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders of Champion REIT as a whole.

Connected Party Transactions Report

REPORT FROM AUDITOR OF CHAMPION REIT

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

Hong Kong, 21 February 2019

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

Disclosure of Interests

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

As at 31 December 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	3,882,510,394 ¹	66.40
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	410,070,210	7.01
Substantial Unitholders		
Great Eagle Holdings Limited	3,860,816,394 ²	66.03
HSBC International Trustee Limited	3,859,401,277 ³	66.01
HKSCC Nominees Limited	2,317,305,511 ⁶	39.63
Top Domain International Limited	1,420,416,628	24.29
Keen Flow Investments Limited	1,071,375,933	18.32
Bright Form Investments Limited	680,232,558	11.63

Notes:

1. Among these 3,882,510,394 Units:
 - (a) 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;
 - (b) 19,115,000 Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee; and
 - (c) 3,860,816,394 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 21,639,348 Units/underlying Units in aggregate as compared with the position as at 30 June 2018.

Disclosure of Interests

2. The 3,860,816,394 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table, which shows the number of Units and/or underlying Units held by these companies as at 31 December 2018 and 30 June 2018 respectively:

Name	Number of Units/ Underlying Units Held	Number of Units/ Underlying Units Held
	As at 31 December 2018	As at 30 June 2018
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	410,070,210	397,875,798
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	14,272,819	4,827,883
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 26 October 2018) received from HSBC International Trustee Limited (“HITL”). When compared with the position as at 30 June 2018, the unitholdings of HITL increased by 21,797,295 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 33.33% interests in Great Eagle as at 31 December 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 held 27.40% voting right in the capital of Great Eagle as at 31 December 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 30 June 2018.
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 30 June 2018.
6. As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited increased by 385,685 Units and/or underlying Units when compared with the position as at 30 June 2018.
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 5,847,092,804 as at 31 December 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 31 December 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.

HOLDINGS OF OTHER CONNECTED PERSON

As at 31 December 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	2,458,420 ¹	0.04

Notes:

- The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries, unless otherwise expressly stated herein) (“HSBC Group”) are connected persons by virtue of being holding company, controlling entities, subsidiaries or associated companies (as defined under the REIT Code) of the Trustee of Champion REIT according to the information available to the REIT Manager. The number of Units held by HSBC Group decreased by 1,009,547 Units as compared with the position as at 30 June 2018.
- This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,847,092,804 as at 31 December 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 31 December 2018.

Disclosure of Interests

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

Great Eagle is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham"). As at 31 December 2018, Great Eagle owned 3,860,816,394 Units and/or underlying Units (66.03%) in Champion REIT and 1,327,704,439 share stapled units (62.93%) in Langham. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle and Langham as at 31 December 2018 are disclosed as follows:

Great Eagle

Dr. Lo Ka Shui had a personal interest in 50,513,303 shares and 1,358,000 share options and a corporate interest in 78,788,292 shares of Great Eagle as at 31 December 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 31 December 2018.

Mr. Ip Yuk Keung, Albert had a personal interest in 30,000 shares and 64,000 share options of Great Eagle as at 31 December 2018.

Ms. Wong Ka Ki, Ada had a personal interest in 27,909 shares and 200,000 share options of Great Eagle as at 31 December 2018.

Langham

Dr. Lo Ka Shui had a personal interest in 8,073,500 share stapled units of Langham as at 31 December 2018. He had a corporate interest in 2,060,000 share stapled units of Langham and was deemed to be interested in 1,327,704,439 share stapled units of Langham held by Great Eagle as at 31 December 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 31 December 2018.

Mr. Ip Yuk Keung, Albert had a joint interest with his spouse in 2,015,000 share stapled units of Langham as at 31 December 2018.

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Independent Auditor's Report

Deloitte.

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TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 131 to 194, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2018 and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We have identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements, as a whole, combined with the significant judgments associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties amounted to HK\$83,135,000,000, representing approximately 97.5% of the Group's total assets, with its change in fair value included in the consolidated income statement. During the year, an increase in fair value of investment properties amounted to HK\$6,411,601,000.

The Group's investment properties are carried at fair value based on the valuations performed by an independent qualified professional valuer. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations are dependent on key inputs, together with significant assumptions, that involve judgments, including capitalisation rates and market rents. Eagle Asset Management (CP) Limited (the "Manager" of Champion REIT) has reviewed and exercised its judgment on the key inputs to the valuations and the results.

Our procedures in relation to assessing the appropriateness of the valuation of investment properties included:

- evaluating the competence, capabilities, and objectivity of the independent qualified professional valuer;
- understanding the independent qualified professional valuer's valuation process and methodology (including any limitations of scope imposed by the Manager), the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used in the valuations;
- evaluating the reasonableness of the methodology and assumptions to industry norms;
- assessing the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the respective underlying existing tenancy agreements; (ii) comparing to relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the neighbourhood; and
- performing analysis on the key inputs to evaluate the results on the valuations.

Independent Auditor's Report

Other Information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Those Charged with Governance for the Consolidated Financial Statements

The Manager is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Keung To Wai, David.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 February 2019

Consolidated Income Statement

For the year ended 31 December 2018

		2018	2017
	Notes	HK\$'000	HK\$'000
Rental income	6	2,641,489	2,396,316
Building management fee income	6	287,726	268,878
Rental related income	7	35,757	34,705
Total revenue		2,964,972	2,699,899
Property operating expenses	8	(559,649)	(533,585)
Net property income		2,405,323	2,166,314
Interest income		28,182	17,729
Manager's fee	9	(288,639)	(259,958)
Trust and other expenses		(27,399)	(20,667)
Increase in fair value of investment properties	14	6,411,601	9,850,151
Finance costs	10	(428,187)	(348,638)
Profit before tax and distribution to unitholders	11	8,100,881	11,404,931
Income taxes	12	(288,824)	(265,279)
Profit for the year, before distribution to unitholders		7,812,057	11,139,652
Distribution to unitholders		(1,530,045)	(1,412,730)
Profit for the year, after distribution to unitholders		6,282,012	9,726,922
Basic earnings per unit	13	HK\$1.34	HK\$1.92

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	HK\$'000	HK\$'000
Profit for the year, after distribution to unitholders	6,282,012	9,726,922
Other comprehensive (expense)/income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(8,540)	(39,856)
Reclassification of fair value adjustments to profit or loss	(509)	3,626
	(9,049)	(36,230)
Total comprehensive income for the year	6,272,963	9,690,692

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Investment properties	14	83,135,000	76,704,000
Notes receivables	15	218,705	220,531
Derivative financial instruments	21	39,399	36,587
Total non-current assets		83,393,104	76,961,118
Current assets			
Trade and other receivables	16	296,849	294,910
Tax recoverable		1,022	6,421
Time deposit with original maturity over three months	17	200,000	–
Bank balances and cash	17	1,399,530	1,190,389
Total current assets		1,897,401	1,491,720
Total assets		85,290,505	78,452,838
Current liabilities			
Trade and other payables	18	1,337,168	1,338,049
Deposits received		761,175	652,685
Tax liabilities		30,363	38,921
Distribution payable		799,023	730,979
Secured bank borrowings	19	3,696,715	–
Total current liabilities		6,624,444	2,760,634
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	19	5,771,097	10,172,623
Medium term notes	20	5,536,292	4,612,054
Derivative financial instruments	21	17,860	17,674
Deferred tax liabilities	22	579,884	538,611
Total non-current liabilities, excluding net assets attributable to unitholders		11,905,133	15,340,962
Total liabilities, excluding net assets attributable to unitholders		18,529,577	18,101,596
Net assets attributable to unitholders		66,760,928	60,351,242
Number of units in issue ('000)	23	5,847,093	5,823,028
Net asset value per unit	25	HK\$11.42	HK\$10.36

The consolidated financial statements on pages 131 to 194 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT"), on 21 February 2019 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

Wong Ka Ki, Ada
DIRECTOR

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2018

	Issued units HK\$'000 (note 23)	Hedging reserve HK\$'000	Others HK\$'000 (note)	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders					
as at 1 January 2017	24,152,429	30,043	5,757,943	20,594,348	50,534,763
Profit for the year, after distribution to unitholders	–	–	–	9,726,922	9,726,922
Cash flow hedges	–	(36,230)	–	–	(36,230)
Total comprehensive income for the year	–	(36,230)	–	9,726,922	9,690,692
Issue of units	125,787	–	–	–	125,787
Net assets attributable to unitholders					
as at 31 December 2017	24,278,216	(6,187)	5,757,943	30,321,270	60,351,242
Profit for the year, after distribution to unitholders	–	–	–	6,282,012	6,282,012
Cash flow hedges	–	(9,049)	–	–	(9,049)
Total comprehensive income for the year	–	(9,049)	–	6,282,012	6,272,963
Issue of units	136,723	–	–	–	136,723
Net assets attributable to unitholders					
as at 31 December 2018	24,414,939	(15,236)	5,757,943	36,603,282	66,760,928

Note: "Others" represent

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

Distribution Statement

For the year ended 31 December 2018

	2018	2017
	HK\$'000	HK\$'000
Profit for the year, before distribution to unitholders	7,812,057	11,139,652
Adjustments:		
– Manager's fee paid and payable in units	144,319	129,979
– Increase in fair value of investment properties	(6,411,601)	(9,850,151)
– Non-cash finance costs	24,525	26,968
– Deferred tax	41,273	40,636
Total distributable income to unitholders (note (i))	1,610,573	1,487,084
Interim distribution, paid to unitholders (note (ii))	731,022	681,751
Final distribution, to be paid to unitholders (note (iii))	799,023	730,979
Total distributions for the year	1,530,045	1,412,730
Payout ratio	95.0%	95.0%
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK\$0.1250	HK\$0.1171
Final distribution per unit, to be paid to unitholders (note (iii))	HK\$0.1367	HK\$0.1253
	HK\$0.2617	HK\$0.2424

Notes:

- (i) Pursuant to the Trust Deed, the total distributable income is profit for the year, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. Champion REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial period.
- (ii) The interim distribution per unit of HK\$0.1250 (2017: HK\$0.1171) for the six months ended 30 June 2018 is calculated based on the interim distribution of HK\$731,022,000 (2017: HK\$681,751,000) for the period and 5,847,092,804 units (2017: 5,823,028,120 units) in issue as of 21 September 2018 (2017: 22 September 2017), which was the record date for the period. The distribution was paid to unitholders on 5 October 2018.
- (iii) The final distribution per unit of HK\$0.1367 (2017: HK\$0.1253) for the year ended 31 December 2018 is calculated based on the final distribution to be paid to unitholders of HK\$799,023,000 (2017: HK\$730,979,000) for the period and 5,847,092,804 units (2017: 5,834,898,392 units) in issue as at 31 December 2018 (2017: 9 May 2018). The final distribution per unit for the year ended 31 December 2018 will be subject to further adjustments upon the issuance of units between 1 January 2019 and 9 May 2019, which is the record date set for such period. The final distribution will be paid to unitholders on 17 May 2019.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK\$'000	2017 HK\$'000
Operating activities		
Profit before tax and distribution to unitholders	8,100,881	11,404,931
Adjustments for:		
Increase in fair value of investment properties	(6,411,601)	(9,850,151)
Manager's fee paid and payable in units	144,319	129,979
Interest income	(28,182)	(17,729)
Finance costs	428,187	348,638
Exchange difference	(449)	(1,515)
Operating cash flow before movements in working capital	2,233,155	2,014,153
Decrease in trade and other receivables	2,395	21,347
(Decrease) increase in trade and other payables	(23,550)	43,487
Increase in deposits received	108,490	76,986
Cash generated from operations	2,320,490	2,155,973
Interest paid	(392,428)	(312,220)
Hong Kong Profits Tax paid	(250,710)	(236,848)
Net cash from operating activities	1,677,352	1,606,905
Investing activities		
Placement of time deposit with original maturity over three months	(200,000)	–
Additions to investment properties	(19,399)	(12,349)
Interest received	26,216	20,269
Net cash (used in) from investing activities	(193,183)	7,920
Financing Activities		
Distribution paid	(1,461,999)	(1,378,154)
Repayment of bank loan	(725,000)	(775,000)
Proceeds from issuance of medium term notes	925,000	775,000
Medium term notes issue cost	(13,029)	(3,813)
Net cash used in financing activities	(1,275,028)	(1,381,967)
Net increase in cash and cash equivalents	209,141	232,858
Cash and cash equivalents at beginning of the year	1,190,389	957,531
Cash and cash equivalents at end of year, represented by bank balances and cash	1,399,530	1,190,389

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, 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.

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.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

HKFRS 9 “Financial Instruments and the related amendments”

In the current year, 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 under ECL model) 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. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

The Manager reviewed and assessed the financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. All financial assets of the Group continues to be measured at amortised cost or fair value. Except for the assessment of impairment under ECL model for financial assets at amortised costs, the application of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRSs mentioned below, the Manager anticipates that the application of all other new and amendments to HKFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

As at 31 December 2018, the Group's current liabilities exceeded its current assets by HK\$4,727,043,000 (2017: HK\$1,268,914,000). Management reviews the Group's financial position and is now negotiating with banks to refinance existing secured term loans which are due within one year. The Manager is of the opinion that, taking into account of the fair value of investment properties available to pledge for new financing if needed, presently available banking facilities and internal financial resources, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

Leasing

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

The Group as lessor

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

(A) Upon application of HKFRS 9 in accordance with transitions in note 2

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Other financial assets are subsequently measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

For financial assets at amortised cost, interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, notes receivables, time deposits with original maturity over three months and bank balances and cash). 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 financial assets. The ECL on these assets are assessed individually for debtors.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

- (i) 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.

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;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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 others debtor and bank balances has not increased significantly since initial recognition if are determined to have low credit risk at the reporting date. 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group consider that default has occurred when a financial asset is more than 90 days past due unless the Group have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a. significant financial difficulty of the issuer or the borrower;
- b. a breach of contract, such as a default or past due event;
- c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial liabilities and equity instruments

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

Financial liabilities

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

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

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) *Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)*

Derivative financial instruments

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

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Hedge accounting (continued)

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income ("FVTOCI") in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI under HKFRS 9, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI under HKFRS 9, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) *Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)*

Derecognition/non-substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated 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.

(B) *Before application of HKFRS 9 on 1 January 2018*

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Financial assets (continued)

Notes receivables

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Impairment of financial assets (continued)

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

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

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

Financial liabilities and equity

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Financial liabilities and equity (continued)

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

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

Derivative financial instruments

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

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Derecognition

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

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

Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

(A) *Upon application of HKFRS 15 in accordance with transitions in Note 2*

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 or 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

Output method

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(B) Prior to January 2018

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

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

Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

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

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 14.

In addition, as described in note 21, the fair values of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

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

5. SEGMENT INFORMATION

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

For the year ended 31 December 2018

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,548,766	400,361	1,015,845	2,964,972
Segment results – Net property income	1,270,470	321,896	812,957	2,405,323
Interest income				28,182
Manager's fee				(288,639)
Trust and other expenses				(27,399)
Increase in fair value of investment properties				6,411,601
Finance costs				(428,187)
Profit before tax and distribution to unitholders				8,100,881
Income taxes				(288,824)
Profit for the year, before distribution to unitholders				7,812,057
Distribution to unitholders				(1,530,045)
Profit for the year, after distribution to unitholders				6,282,012
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	3,715,881	460,000	2,235,720	6,411,601

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2017

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,376,761	392,298	930,840	2,699,899
Segment results – Net property income	1,112,370	318,211	735,733	2,166,314
Interest income				17,729
Manager's fee				(259,958)
Trust and other expenses				(20,667)
Increase in fair value of investment properties				9,850,151
Finance costs				(348,638)
Profit before tax and distribution to unitholders				11,404,931
Income taxes				(265,279)
Profit for the year, before distribution to unitholders				11,139,652
Distribution to unitholders				(1,412,730)
Profit for the year, after distribution to unitholders				9,726,922
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	6,820,598	973,000	2,056,553	9,850,151

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2018				
Additions to non-current assets	13,119	-	6,280	19,399
For the year ended 31 December 2017				
Additions to non-current assets	10,402	-	1,947	12,349

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2018, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$49,890,000,000 (2017: HK\$46,161,000,000), HK\$9,910,000,000 (2017: HK\$9,450,000,000) and HK\$23,335,000,000 (2017: HK\$21,093,000,000), respectively.

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

Geographical information

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

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

Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the both years ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	2018	2017
	HK\$'000	HK\$'000
Rental income	2,593,753	2,350,893
Car park income	47,736	45,423
	2,641,489	2,396,316
	2018	2017
	HK\$'000	HK\$'000
Building management fee income	287,726	268,878

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

7. RENTAL RELATED INCOME

	2018	2017
	HK\$'000	HK\$'000
Interest income from tenants	306	524
Promotional levy income	13,058	11,768
Sundry income	22,393	22,413
	35,757	34,705

8. PROPERTY OPERATING EXPENSES

	2018	2017
	HK\$'000	HK\$'000
Building management expenses	321,956	304,039
Car park operating expenses	11,657	10,230
Government rent and rates	76,098	72,059
Legal cost and stamp duty	3,370	3,110
Promotion expenses	17,397	19,909
Property and lease management service fee	80,329	73,379
Property miscellaneous expenses	2,707	5,690
Rental commission	40,553	41,258
Repairs and maintenance	5,582	3,911
	559,649	533,585

9. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2018 and 31 December 2018, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2018 and 31 December 2018 as remuneration.

	2018	2017
	HK\$'000	HK\$'000
Manager's fee:		
In the form of units	144,319	129,979
In the form of cash	144,320	129,979
	288,639	259,958

Based on the election on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2018 arising from the properties currently owned by Champion REIT in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% in the form of cash.

10. FINANCE COSTS

	2018	2017
	HK\$'000	HK\$'000
Finance costs represent:		
Interest expense on bank borrowings	246,034	200,757
Interest expense on medium term notes	181,961	146,931
Other borrowing costs	192	950
	428,187	348,638

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

11. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2018 HK\$'000	2017 HK\$'000
Profit before tax and distribution to unitholders		
has been arrived at after charging (crediting):		
Auditors' remuneration	2,180	2,050
Trustee's remuneration	14,084	12,548
Principal valuer's fee	312	335
Other professional fees and charges	9,105	4,655
Roadshow and public relations expenses	1,832	1,258
Bank charges	285	253
Exchange difference	(449)	(1,515)

12. INCOME TAXES

	2018 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	247,375	225,173
– Under(over)provision in prior years	176	(530)
	247,551	224,643
Deferred tax (note 22)		
– Current year	41,273	40,636
	288,824	265,279

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

12. INCOME TAXES (CONTINUED)

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

	2018	2017
	HK\$'000	HK\$'000
Profit before tax and distribution to unitholders	8,100,881	11,404,931
Tax at the domestic income tax rate of 16.5%	1,336,645	1,881,814
Tax effect of income not taxable for tax purpose	(1,062,609)	(1,628,438)
Tax effect of expenses not deductible for tax purpose	15,166	13,308
Under(over)provision in prior years	176	(530)
Utilisation of tax losses previously not recognised	(554)	(875)
Income taxes for the year	288,824	265,279

13. BASIC EARNINGS PER UNIT

The calculation of the basic earnings per unit before distribution to unitholders is based on the profit for the year, before distribution to unitholders of HK\$7,812,057,000 (2017: HK\$11,139,652,000) with the weighted average number of units of 5,840,508,339 (2017: 5,815,899,965) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2018 and 2017.

There were no dilutive potential units during the years ended 31 December 2018 and 2017, therefore the diluted earnings per unit has not been presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

14. INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
FAIR VALUE		
At the beginning of the year	76,704,000	66,841,500
Additions during the year	19,399	12,349
Increase in fair value	6,411,601	9,850,151
At the end of the year	83,135,000	76,704,000

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

As at 31 December 2018, certain investment properties with total fair value of HK\$49,890,000,000 (2017: HK\$46,161,000,000) have been mortgaged as security for credit facilities as detailed in note 19.

14. INVESTMENT PROPERTIES (CONTINUED)

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

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2018 and 2017					
Three Garden Road	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.6% for office and 4.25% for retail (2017: 3.6% for office and 4.25% for retail). Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$5,996 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK\$7,927 million (capitalisation rate of 3.1% for office and 3.75% for retail) respectively (2017: decrease by approximately HK\$5,626 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK\$7,438 million (capitalisation rate of 3.1% for office and 3.75% for retail) respectively). If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$2,274 million and decrease by approximately HK\$2,273 million, respectively (2017: increase by approximately HK\$2,144 million and decrease by approximately HK\$2,142 million, respectively).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2018 and 2017 (continued)					
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.75% for retail and 4.0% for office (2017: 3.75% for retail and 4.0% for office).	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$3,757 million (capitalisation rate of 4.25% for retail and 4.5% for office) and increase by approximately HK\$4,891 million (capitalisation rate of 3.25% for retail and 3.5% for office) respectively (2017: decrease by approximately HK\$3,496 million (capitalisation rate of 4.25% for retail and 4.5% for office) and increase by approximately HK\$4,519 million (capitalisation rate of 3.25% for retail and 3.5% for office) respectively).
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,477 million and decrease by approximately HK\$1,476 million, respectively (2017: increase by approximately HK\$1,394 million and decrease by approximately HK\$1,426 million, respectively).

15. NOTES RECEIVABLES

As at 31 December 2018, the Group held unsecured bonds with aggregate carrying amounts of HK\$218,705,000 (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 (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% (2017: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (2017: February 2021 to May 2024).

16. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK\$'000	HK\$'000
Trade receivables	27,736	24,646
Deferred rent receivables	169,575	183,291
Deposits, prepayments and other receivables	99,538	86,973
	296,849	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:

	2018	2017
	HK\$'000	HK\$'000
0 - 3 months	27,736	24,646

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$27,736,000 (2017: HK\$24,646,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	2018	2017
	HK\$'000	HK\$'000
Cash on hand	–	2
Cash at bank	445,774	412,887
Time deposits with original maturity of three months or less	953,756	777,500
	1,399,530	1,190,389
	2018	2017
	HK\$'000	HK\$'000
Time deposit with original maturity over three months but not exceeding one year	200,000	–

Bank balances carry interest at market rates of 0.125% to 0.425% (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 2.5% to 3.285% (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 (2017: nil).

18. TRADE AND OTHER PAYABLES

	2018	2017
	HK\$'000	HK\$'000
Trade payables	79,127	103,854
Rental received in advance	19,852	24,502
Other payables and accruals	274,714	246,218
Accrued stamp duty	963,475	963,475
	1,337,168	1,338,049

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (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 interest 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:

	2018	2017
	HK\$'000	HK\$'000
0 - 3 months	79,127	103,854

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For the year ended 31 December 2018

19. SECURED BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Secured bank borrowings	9,500,000	10,225,000
Loan front-end fee	(32,188)	(52,377)
	9,467,812	10,172,623
The maturity of the secured bank borrowings is as follows:		
Within one year	3,696,715	–
More than one year but not more than two years	–	4,413,126
More than two years but not exceeding five years	5,771,097	5,759,497
	9,467,812	10,172,623

During the year, the Group early prepaid a total amount of HK\$725,000,000 (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 31 December 2018, the outstanding secured bank borrowings comprise the following:

- (i) HK\$3,700,000,000 (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 is repayable in full in June 2019; and
- (ii) HK\$5,800,000,000 (2017: HK\$5,800,000,000) secured term loan bears interest at a floating rate of HIBOR plus 0.95% per annum and is 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\$49,890,000,000 as at 31 December 2018 (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 and mortgaged to the banks.

20. MEDIUM TERM NOTES

	2018	2017
	HK\$'000	HK\$'000
Medium term notes	5,569,091	4,636,866
Origination fees	(32,799)	(24,812)
	5,536,292	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 31 December 2018, the outstanding medium term notes comprised the following:

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\$450,000,000	July 2025	4.00%	Semi-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 21.

(ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps as mentioned in note 21.

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

Notes to the Consolidated Financial Statements

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21. DERIVATIVE FINANCIAL INSTRUMENTS

	2018	2017
	HK\$'000	HK\$'000
Non-current assets		
Cash flow hedge – interest rate swaps (note i)	35,268	36,587
Fair value hedge – interest rate swaps (note i)	4,131	–
	39,399	36,587
Non-current liabilities		
Cash flow hedge – cross currency swaps (note ii)	17,860	17,674

Notes:

(i) Interest rate swaps

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 The Hongkong and Shanghai Banking Corporation Limited (“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.

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

Notional amount	Maturity	Floating interest rate (p.a.)	Fixed interest rates (p.a.)	Interest period
HK\$1,550,000,000	28 June 2021	HIBOR	1.42% to 1.86%	Monthly
HK\$1,900,000,000	28 June 2021	HIBOR + 0.95%	2.20% to 2.635%	Monthly

During the year, the loss on changes in fair value of the cross currency swaps and interest rate swaps under cash flow hedges amounting to HK\$8,540,000 (2017: loss on changes of HK\$39,856,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$509,000 (2017: HK\$3,626,000) 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 year, the Group entered into an interest rate swap contract to convert the fixed rate under the medium term notes as mentioned in note 20(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 gain in change in fair values of the interest rate swap under fair value hedge amounting to HK\$758,000 has been recognised directly in the consolidated income statement.

The fair value 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. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(ii) Cross currency swaps

The Group entered into cross currency swaps with total notional amount of US\$386,400,000 with 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 United States dollars medium term notes ("USD MTN"), which is denominated in United States dollar, 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.

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

Notional amount	Maturity	Exchange rate	Interest rate (p.a.)	Interest period	Total hedged item
US\$200,000,000	17 January 2023	HK\$7.7598: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$100,000,000	17 January 2023	HK\$7.76: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$50,000,000	17 January 2023	HK\$7.7613: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$36,400,000	17 January 2023	HK\$7.7541: US\$1	3.75%	Quarterly	Medium term note principal and coupon payments

22. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2017	497,975	–	497,975
Charge (credit) to consolidated income statement during the year	40,766	(130)	40,636
As at 31 December 2017	538,741	(130)	538,611
Charge to consolidated income statement during the year	41,143	130	41,273
As at 31 December 2018	579,884	–	579,884

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

As at 31 December 2018, the Group has unutilised tax losses amounting to HK\$498,418,000 (2017: HK\$502,562,000) available to offset against future profits. No deferred tax asset has been recognised during the year (2017: HK\$785,000). No deferred tax asset has been recognised in respect of the remaining HK\$498,418,000 (2017: HK\$501,777,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

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23. ISSUED UNITS

	Number of units	HK\$'000
Balance at 1 January 2017	5,798,237,327	24,152,429
Payment of Manager's fee through issuance of new units during the year (note (i))	24,790,793	125,787
Balance at 31 December 2017	5,823,028,120	24,278,216
Payment of Manager's fee through issuance of new units during the year (note (i))	24,064,684	136,723
Balance at 31 December 2018	5,847,092,804	24,414,939

Note:

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

Issue date	Payment of the Manager's fees for the period	Issue price per unit determined based on the Trust Deed HK\$	Number of units issued	Aggregate issue price HK\$'000
In 2018				
1 March 2018	1.7.2017 to 31.12.2017	5.570	11,870,272	66,117
31 August 2018	1.1.2018 to 30.6.2018	5.790	12,194,412	70,606
			24,064,684	136,723
In 2017				
14 March 2017	1.7.2016 to 31.12.2016	4.500	13,761,193	61,926
30 August 2017	1.1.2017 to 30.6.2017	5.790	11,029,600	63,861
			24,790,793	125,787

24. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2018, 24,064,684 (2017: 24,790,793) units were issued as payment for the Manager's fee, amounting to HK\$136,723,000 (2017: HK\$125,787,000).

25. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2018 of HK\$66,760,928,000 (2017: HK\$60,351,242,000) by the number of units in issue of 5,847,092,804 as at 31 December 2018 (2017: 5,823,028,120).

26. NET CURRENT LIABILITIES

At 31 December 2018, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$4,727,043,000 (2017: HK\$1,268,914,000).

27. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2018, the Group's total assets less current liabilities amounted to HK\$78,666,061,000 (2017: HK\$75,692,204,000).

28. OPERATING LEASE COMMITMENTS

At 31 December 2018, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	2,332,632	2,172,249
In the second to fifth year inclusive	3,518,694	2,973,286
Over five years	193,298	169,941
	6,044,624	5,315,476

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. Contingent rental income of HK\$188,050,000 (2017: HK\$116,701,000) was received for the year.

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

29. CAPITAL COMMITMENT

	2018 HK\$'000	2017 HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	19,551	–

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For the year ended 31 December 2018

30. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2018 HK\$'000	2017 HK\$'000
<i>Rental income</i>			
The Great Eagle Properties Management Company, Limited	(a)	7,216	6,302
Eagle Asset Management (CP) Limited	(a)	821	680
Eagle Property Management (CP) Limited	(a)	5,827	4,445
Best Come Limited	(a)	14,843	14,843
Ease Treasure Investment Limited	(a)	922	–
<i>Interest income</i>			
HSBC Group ^{1,3}	(b)	5,704	1,614
<i>Building management fee income</i>			
The Great Eagle Properties Management Company, Limited	(a)	884	844
Eagle Asset Management (CP) Limited	(a)	79	48
Eagle Property Management (CP) Limited	(a)	707	669
Best Come Limited	(a)	1,811	1,725
Ease Treasure Investment Limited	(a)	104	–
<i>Building management expenses and car park operating expenses</i>			
The Great Eagle Properties Management Company, Limited	(a)	282,921	265,292
Longworth Management Limited	(a)	50,741	49,071
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(a)	80,329	73,379
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(a)	27,845	26,195
Knight Frank Petty Limited ³	(c)	322	–
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(a)	573	1,133
Toptech Co. Limited	(a)	1,673	892
Keysen Engineering Company, Limited	(a)	1,855	86
The Great Eagle Properties Management Company, Limited	(a)	8	7

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2018 HK\$'000	2017 HK\$'000
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited ³	(a)	421	7,026
Toptech Co. Limited ³	(a)	-	2,011
Keysen Engineering Company, Limited ³	(a)	2,101	1,172
The Great Eagle Properties Management Company, Limited ³	(a)	8	7
<i>Acquisition cost of investment properties</i>			
The Great Eagle Engineering Company Limited ³	(a)	-	644
Keysen Engineering Company, Limited ³	(a)	-	59
The Great Eagle Properties Management Company, Limited ³	(a)	-	1,235
<i>Property miscellaneous expenses</i>			
GE (LHIL) Lessee Limited	(a)	10	23
Clever Gain Investment Limited	(a)	268	260
<i>Trustee's fee and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited ³	(b)	14,084	12,548
Best Come Limited	(a)	126	223
Great Eagle Hotels (UK) Limited	(a)	98	-
上海禮興酒店有限公司	(a)	15	-
HSBC Group ^{1,3}	(b)	135	130
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(a) & (d)	288,639	259,958
<i>Finance costs</i>			
Hang Seng Bank Limited ³	(b)	240,068	175,161
The Hongkong and Shanghai Banking Corporation Limited ³	(b)	200	11,883
<i>Valuation fee</i>			
Knight Frank Petty Limited ³	(c)	17	335
Colliers International (Hong Kong) Limited ³	(c)	295	-

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For the year ended 31 December 2018

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	2018 HK\$'000	2017 HK\$'000
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(a) & (e)	55,105	48,674
Longworth Management Limited	(a) & (e)	15,311	15,311
Toptech Co. Limited	(a) & (e)	948	708
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(a) & (e)	20,678	15,065
Eagle Asset Management (CP) Limited	(a) & (e)	147,772	132,235
The Great Eagle Engineering Company Limited	(a) & (e)	376	5,391
The Great Eagle Properties Management Company, Limited	(a) & (e)	19,263	36,278
Keysen Engineering Company, Limited	(a) & (e)	1,632	483
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
Eagle Property Management (CP) Limited	(a) & (f)	559	392
The Great Eagle Properties Management Company, Limited	(a)	2,103	1,519
Best Come Limited	(a)	7,669	2,214
Eagle Asset Management (CP) Limited	(a)	117	117
Ease Treasure Investment Limited	(a)	1,661	–

Notes:

- (a) These companies are the subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
 - (b) These companies are the Trustee or 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 31 December 2018.
 - (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 HK1,247,000 (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.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Interest rate swaps	39,399	36,587
<i>Notes receivables</i>	218,705	220,531
<i>Financial assets at amortised cost</i>		
Trade and other receivables	40,371	–
Time deposit with original maturity over three months	200,000	–
Bank balances and cash	1,399,530	–
	1,639,901	–
<i>Loans and receivables</i>		
Trade and other receivables	–	27,801
Bank balances and cash	–	1,190,389
	–	1,218,190
	1,639,901	1,218,190
Financial liabilities		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	17,860	17,674
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	318,668	313,039
Distribution payable	799,023	730,979
Secured bank borrowings	9,467,812	10,172,623
Medium term notes	5,536,292	4,612,054
	16,121,795	15,828,695

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31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies

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

(i) Currency risk

The Group has certain medium term notes denominated in a foreign currency (i.e. US\$) which expose the Group to foreign currency risk. The Group manages its foreign currency risk by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term notes. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness. As the Group's foreign currency risk is hedged, no sensitivity analysis has been prepared accordingly.

(ii) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of HIBOR arising from the Group's variable-rate secured bank borrowings and medium term notes (see notes 19 and 20 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, notes receivables and medium term notes.

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

The Group manages its interest rate risk for variable-rate secured bank borrowings by entering into interest rate swaps to hedge against its exposures to interest rate on certain variable-rate secured bank borrowings. The Manager will continue to monitor the interest rate risk to the Group and take further actions by entering interest rate swaps to hedge against any foreseeable interest rate exposure, if necessary.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivatives instruments. For variable-rate term loans and medium term notes, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2017: 50) basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit before tax and distribution to unitholders for the year ended 31 December 2018 would decrease/increase by HK\$34,465,000 (2017: HK\$37,090,000). This is mainly attributable to the Group's exposure to interest rates on its secured variable-rate term loans and medium term notes which are not hedged and has an aggregate amount of HK\$6,893,000,000 (2017: HK\$7,418,000,000).

(iii) Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

Notes to the Consolidated Financial Statements

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Credit risk and impairment assessment (continued)

The credit risk on derivative financial instrument is limited because the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

Based on the ECL assessment, the credit exposures for all the financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2018, no loss allowance provision for the amounts was recognised.

(iv) Liquidity and capital risk management

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

The Group has cash and cash equivalents of HK\$1,599,530,000 as at 31 December 2018 (2017: HK\$1,190,389,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK\$9,800,000,000 (2017: HK\$10,525,000,000), of which HK\$9,500,000,000 (2017: HK\$10,225,000,000) was drawn as at 31 December 2018. The undrawn committed facility in the form of revolving bank loans amounted to HK\$300,000,000 as at 31 December 2018 (2017: HK\$300,000,000).

The Group has established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT. The Group issued an aggregate principal amount of approximately HK\$2,543,000,000 and US\$386,400,000 as at 31 December 2018 (2017: HK\$1,618,000,000 and US\$386,400,000).

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed facility of HK\$300,000,000 (2017: HK\$300,000,000) and a balance of approximately HK\$2,262,000,000 (2017: HK\$3,176,000,000) under the guaranteed medium term note programme available for issuance, the Manager considered that the liquidity risk of the Group can be reduced.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) *Liquidity and capital risk management (continued)*

As at 31 December 2018, the Group's current liabilities exceeded its current assets by HK\$4,727,043,000 (2017: HK\$1,268,914,000). Management reviews the Group's financial position and is now negotiating with banks to refinance existing term loans which are due within one year. Management considers that, taking into account of the fair value of investment properties available to pledge for new financing if needed, the Group will be able to obtain sufficient financial resources, including term loans, to satisfy its commitments and working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value as required by the REIT Code. As at 31 December 2018, the gearing ratio was 17.6% (2017: 18.9%). The ratio is calculated as total borrowings (principal amounts of secured bank borrowings and medium term notes) divided by total assets of the Group.

Liquidity and interest risk tables

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

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

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2018							
<i>Non-interest bearing</i>							
Trade and other receivables	-	40,371	-	-	-	40,371	40,371
<i>Variable interest rate</i>							
Bank balances and cash	2.04	1,599,642	-	-	-	1,599,642	1,599,530
<i>Fixed interest rate</i>							
Notes receivables	4.95	7,987	10,463	173,840	55,034	247,324	218,705
Total		1,648,000	10,463	173,840	55,034	1,887,337	1,858,606
<i>Non-interest bearing</i>							
Trade and other payables	-	(244,954)	-	-	-	(244,954)	(244,954)
Distribution payable	-	(799,023)	-	-	-	(799,023)	(799,023)
		(1,043,977)	-	-	-	(1,043,977)	(1,043,977)
<i>Variable interest rate instruments</i>							
Secured term loans	3.13	(3,940,336)	(185,247)	(5,891,081)	-	(10,016,664)	(9,467,812)
Medium term note	3.66	(23,559)	(23,559)	(672,449)	-	(719,567)	(643,000)
		(3,963,895)	(208,806)	(6,563,530)	-	(10,736,231)	(10,110,812)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.55	(175,024)	(375,024)	(3,477,324)	(1,831,834)	(5,859,206)	(4,893,292)
Total		(5,182,896)	(583,830)	(10,040,854)	(1,831,834)	(17,639,414)	(16,048,081)

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2017							
<i>Non-interest bearing</i>							
Trade and other receivables	-	27,801	-	-	-	27,801	27,801
<i>Variable interest rate</i>							
Bank balances and cash	0.97	1,190,440	-	-	-	1,190,440	1,190,389
<i>Fixed interest rate</i>							
Notes receivables	4.95	7,968	10,438	131,107	107,659	257,172	220,531
Total		1,226,209	10,438	131,107	107,659	1,475,413	1,438,721
<i>Non-interest bearing</i>							
Trade and other payables	-	(246,921)	-	-	-	(246,921)	(246,921)
Distribution payable	-	(730,979)	-	-	-	(730,979)	(730,979)
		(977,900)	-	-	-	(977,900)	(977,900)
<i>Variable interest rate instruments</i>							
Secured term loans	2.07	(211,208)	(4,592,328)	(5,986,289)	-	(10,789,825)	(10,172,623)
Medium term note	2.60	(16,723)	(16,723)	(680,626)	-	(714,072)	(643,000)
		(227,931)	(4,609,051)	(6,666,915)	-	(11,503,897)	(10,815,623)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.53	(140,795)	(140,795)	(422,385)	(4,127,733)	(4,831,708)	(3,969,054)
Total		(1,346,626)	(4,749,846)	(7,089,300)	(4,127,733)	(17,313,505)	(15,762,577)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

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

	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2018						
<i>Derivatives - net settlement</i>						
Cross currency swaps	785	(495)	(10,339)	-	(10,049)	(17,860)
Interest rate swaps	20,755	25,775	11,626	-	58,156	39,399
As at 31 December 2017						
<i>Derivatives - net settlement</i>						
Cross currency swaps	533	(1,085)	(1,962)	(22,299)	(24,813)	(17,674)
Interest rate swaps	(6,691)	14,169	30,574	-	38,052	36,587

(c) Fair value

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

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

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2018				
<i>Derivative financial assets</i>				
Interest rate swaps	–	39,399	–	39,399
<i>Derivative financial liabilities</i>				
Cross currency swaps	–	(17,860)	–	(17,860)
As at 31 December 2017				
<i>Derivative financial assets</i>				
Interest rate swaps	–	36,587	–	36,587
<i>Derivative financial liabilities</i>				
Cross currency swaps	–	(17,674)	–	(17,674)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets (liabilities)	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2018 HK\$'000	2017 HK\$'000		
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position	(17,860)	(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 consolidated statement of financial position	39,399	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.

33. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instruments HK\$'000	Interest payable HK\$'000	Secured bank borrowings HK\$'000	Medium term notes HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2017	(32,408)	56,495	10,924,600	3,814,384	696,481	15,459,552
Financing cash flows	(26,361)	(285,859)	(775,000)	771,187	(1,378,154)	(1,694,187)
Finance costs (note)	–	295,506	23,023	3,763	–	322,292
Foreign exchange translations	–	301	–	22,720	–	23,021
Other changes						
Fair value adjustments	39,856	–	–	–	–	39,856
Distribution declared	–	–	–	–	1,412,730	1,412,730
Other non-cash changes	–	–	–	–	(78)	(78)
At 31 December 2017	(18,913)	66,443	10,172,623	4,612,054	730,979	15,563,186
Financing cash flows	(11,166)	(381,262)	(725,000)	911,971	(1,461,999)	(1,667,456)
Finance costs (note)	–	396,189	20,189	5,093	–	421,471
Foreign exchange translations	–	143	–	7,174	–	7,317
Other changes						
Fair value adjustments	8,540	–	–	–	–	8,540
Distribution declared	–	–	–	–	1,530,045	1,530,045
Other non-cash changes	–	–	–	–	(2)	(2)
At 31 December 2018	(21,539)	81,513	9,467,812	5,536,292	799,023	15,863,101

Note: The amounts reclassified from hedging reserve are excluded in the reconciliation.

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2018 and 2017.

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

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

Except for Champion MTN Limited which has issued medium term notes as detailed in note 20, no other subsidiaries had issued any debt securities at 31 December 2018 and 2017 at any time during both years.

Major Real Estate Agents and Contractors

TOP FIVE REAL ESTATE AGENTS

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

Real estate agents	Nature of service	Commission paid (HK\$)	Relevant cost (%)
Eagle Property Management (CP) Limited	Leasing	27,845,000	68.7
Colliers International Agency Limited	Leasing	7,890,000	19.5
Jones Lang LaSalle Limited	Leasing	1,286,000	3.2
Kabo Limited	Leasing	564,000	1.4
Knight Frank Hong Kong Limited	Leasing	509,000	1.3
Total		38,094,000	94.1

TOP FIVE CONTRACTORS

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

Contractors	Nature of service	Value of contract (HK\$)	Relevant cost (%)
The Great Eagle Properties Management Company, Limited	Building management & improvement works	322,030,000	66.8
Eagle Property Management (CP) Limited	Property and lease management	80,329,000	16.7
Longworth Management Limited	Building management	50,741,000	10.5
Makeitloud Marketing Limited	Promotion expenses	5,511,000	1.1
PacificPlan Interiors Limited	Improvement works	3,463,000	0.7
Total		462,074,000	95.8

Performance Table

	2018	2017	2016	2015	2014
As at 31 December:					
Net asset value (HK\$'000)	66,760,928	60,351,242	50,534,763	48,468,147	46,275,130
Net asset value per unit (HK\$)	11.42	10.36	8.72	8.40	8.06
The highest traded price during the period (HK\$)	5.86	6.25	5.00	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\$)	5.13	4.18	3.35	3.57	3.24
The highest discount of the traded price to net asset value	55.08%	59.65%	61.58%	57.50%	59.80%
For the year ended 31 December:					
The distribution yield per unit ²	4.88%	4.23%	5.46%	5.11%	5.65%
The net profit yield per unit ³	24.93%	33.39%	13.06%	14.76%	9.33%

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\$0.2617 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2018 over the traded price of HK\$5.36 as at 31 December 2018.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2018 over the traded price of HK\$5.36 as at 31 December 2018.

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
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Wanchai
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Tel: (852) 2879 1288
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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
Oversea-Chinese Banking Corporation 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

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