

2020

Interim Report  
中期報告





## 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.

## Trust Objectives

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





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# Corporate Information

## CHAMPION REIT

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

## REIT MANAGER

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

## BOARD OF DIRECTORS OF THE REIT MANAGER

### Non-executive Directors

LO Ka Shui (*Chairman*)  
IP Yuk Keung, Albert

### Executive Director

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

### Independent Non-executive Directors

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

## AUDIT COMMITTEE OF THE REIT MANAGER

SHEK Lai Him, Abraham (*Chairman*)  
CHENG Wai Chee, Christopher  
HO Shut Kan  
LO Ka Shui

## DISCLOSURES COMMITTEE OF THE REIT MANAGER

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

## NOMINATION COMMITTEE OF THE REIT MANAGER

HO Shut Kan (*Chairman*)  
CHENG Wai Chee, Christopher  
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  
Hang Seng Bank, Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Mizuho Bank, Ltd.  
Oversea-Chinese Banking Corporation Limited

## LEGAL ADVISOR

Baker & McKenzie

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL VALUER

Colliers International (Hong Kong) Limited

## UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## WEBSITE

[www.ChampionReit.com](http://www.ChampionReit.com)

## STOCK CODE

2778



# Financial Highlights

	<b>6 Months Ended 30 Jun 2020 HK\$' million</b>	<b>6 Months Ended 30 Jun 2019 HK\$' million</b>	<b>Change</b>
Total Rental Income <sup>1</sup>	1,342	1,400	– 4.1%
Net Property Operating Expenses <sup>1</sup>	148	137	+ 7.9%
Net Property Income	1,194	1,263	– 5.4%
Distributable Income	804	869	– 7.5%
Distribution Amount	724	782	– 7.5%
Distribution per Unit (HK\$)	0.1229	0.1332	– 7.7%

	<b>As at 30 Jun 2020 HK\$' million</b>	<b>As at 31 Dec 2019 HK\$' million</b>	<b>Change</b>
Gross Value of Portfolio	71,993	81,178	– 11.3%
Net Asset Value per Unit (HK\$)	9.44	11.04	– 14.5%
Gearing Ratio	22.7%	18.0%	+ 4.7pp

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

# Overview

The COVID-19 pandemic in the first half of 2020 has put the global economy on pause, posing unprecedented challenges to all walks of life. Various social distancing regulations and cross-border controls have resulted in significant slowdown in economic activities and brought tourism to a standstill. We have swiftly reacted to the situation by making determined efforts to embrace the new normal and support our tenants. Amid the sluggish market sentiment, the Trust recorded a 7.5% decline in distributable income to HK\$804 million (2019: HK\$869 million) and a 7.7% decline in distribution per unit (“DPU”) to HK\$0.1229 (2019: HK\$0.1332).

While the office portfolio managed to deliver a stable growth from rental income, it was insufficient to compensate the weak retail performance. The footfall and sales of Langham Place Mall were severely affected by the coronavirus outbreak. The diminished retail turnover rent caused a significant drop in retail rental income, dragging down the overall performance of the Trust. Total rental income of the Trust decreased 4.1% to HK\$1,342 million

(2019: HK\$1,400 million) while net property income decreased by 5.4% to HK\$1,194 million (2019: HK\$1,263 million).

The Trust continued to take a proactive approach in liability management. With the uncertainties ahead, we have diversified our funding source and enhanced the financial flexibility of the Trust. A total of USD300 million 10-year medium term notes were issued and standby banking facilities of HK\$2.0 billion have been arranged during the first half of 2020.

The appraised value of the Trust’s properties was HK\$72.0 billion as at 30 June 2020, sliding by 11.3% from HK\$81.2 billion as at 31 December 2019. The drop was driven by lower rental rate assumptions and marginal expansion of capitalisation rates. As a result of the decline in valuation of properties, net asset value per unit decreased to HK\$9.44 compared with HK\$11.04 as at 31 December 2019. Gearing ratio increased to 22.7% as at 30 June 2020 from 18.0% as at 31 December 2019.

# Operational Review

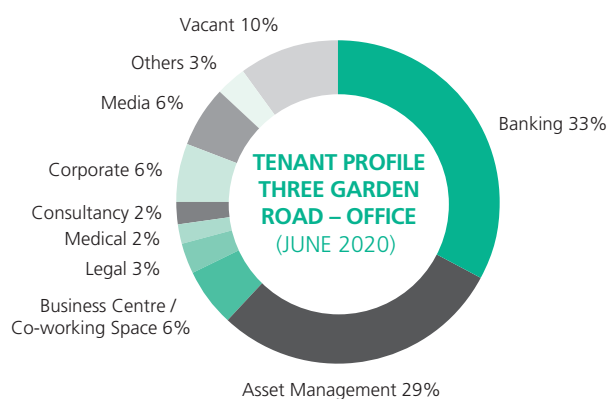
## THREE GARDEN ROAD

	6 Months Ended 30 Jun 2020 HK\$'000	6 Months Ended 30 Jun 2019 HK\$'000	Change
Rental Income	769,758	738,106	+ 4.3%
Net Property Operating Expenses	82,314	72,258	+ 13.9%
Net Property Income	687,444	665,848	+ 3.2%

Leasing activities and demand of the office market in Central were subdued in the midst of the pandemic. With the social distancing measures in place, tenants revisited their real estate strategies and became very cost conscious in light of the global economic downturn. Increasing vacancies in Central have caused softening in market rental. The pandemic has also made it difficult for potential tenants to conduct property site visits and inspections. The level of enquiries has slightly improved towards the end of the second quarter but dropped again due to a subsequent fresh wave of COVID-19 infections in Hong Kong.

Despite the precarious market environment, rental reversion for Three Garden Road remained positive in the first half of 2020, bolstering rental income to HK\$770 million (2019: HK\$738 million). Passing rents of the property increased to HK\$109.5 per sq. ft. (based on lettable area) as at 30 June 2020, compared with HK\$107.8 per sq. ft. as at 31 December 2019. The depressed demand has lengthened the downtime for sourcing replacement tenants for vacant spaces. Occupancy was lowered to 90.2% as at 30 June 2020 from 93.0% as at 31 December 2019.

Net property income grew steadily by 3.2% to HK\$687 million (2019: HK\$666 million). Net property operating expenses increased by HK\$10 million mainly due to higher net building management expenses on higher vacancy and a one-time charge of government rent and rates as a result of reassessment.



# Operational Review

## LANGHAM PLACE OFFICE TOWER

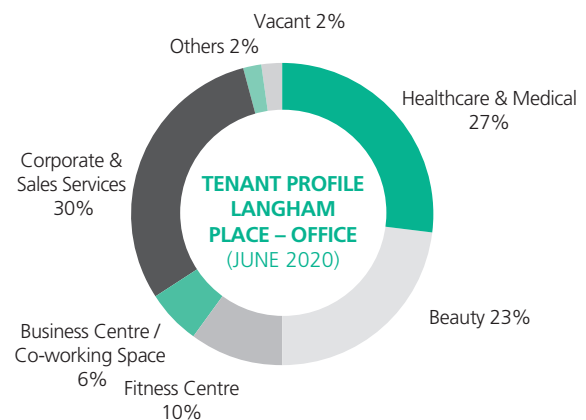
	6 Months Ended 30 Jun 2020 HK\$'000	6 Months Ended 30 Jun 2019 HK\$'000	Change
Rental Income	194,045	185,084	+ 4.8%
Net Property Operating Expenses	16,835	15,055	+ 11.8%
Net Property Income	177,210	170,029	+ 4.2%

As 60% of the Office Tower's tenants are in the lifestyle category, their business operations had been suspended intermittently under the social distancing regulations imposed by the government. The temporary closure of beauty parlours and fitness centres from March to May, and again in July have impeded their short-term cash flow and profitability. The remaining traditional office tenants also face pressure from operating costs due to poor economic outlook, giving rising to relocation to the less prime locations in Kowloon.

To mitigate the economic predicament, we devised an innovative method in rental settlement with anchor tenant Union Medical Healthcare ("UMH", stock code: 2138) of the property. The Trust received listed shares of UMH in lieu of cash for their rental payment from March to July 2020 to ease the short-term liquidity of the tenant. The strategic partnership with the tenant is conducive for Langham Place Office Tower to develop and establish itself as a prominent one-stop healthcare, beauty and lifestyle landmark. It will in turn bring impetus to the Trust's revenue once the market recovers. Furthermore, we have collaborated with a number of lifestyle tenants in offering discounted cash vouchers to boost their sales.

Notwithstanding the challenging backdrop, total rental income of the property increased by 4.8% to HK\$194 million (2019: HK\$185 million) mainly due to positive rental reversion as some of the leases were signed before the pandemic outbreak. Passing rents edged up moderately to HK\$47.1 per sq. ft. (based on gross floor area) as at 30 June 2020 compared with HK\$46.5 per sq. ft. as at 31 December 2019. Occupancy remained at a high level of 97.8% as at 30 June 2020.

Total net property operating expenses increased by HK\$2 million mainly due to increased promotion expenses to help improve the business of the lifestyle tenants. Net property income increased by 4.2% to HK\$177 million (2019: HK\$170 million).





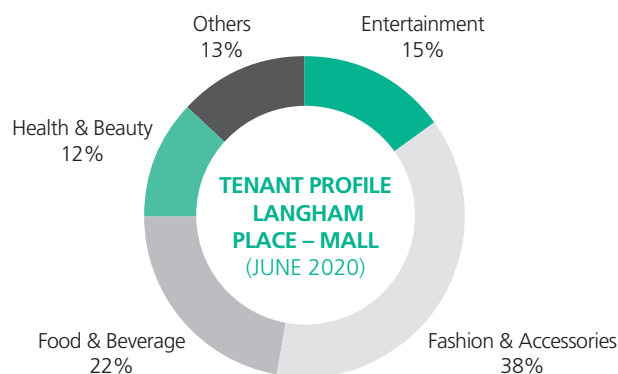
## LANGHAM PLACE MALL

	6 Months Ended 30 Jun 2020 HK\$'000	6 Months Ended 30 Jun 2019 HK\$'000	Change
Rental Income	378,458	476,560	- 20.6%
Net Property Operating Expenses	48,779	49,818	- 2.1%
Net Property Income	329,679	426,742	- 22.7%

The Hong Kong retail market has experienced an extremely detrimental operating environment since the outbreak of COVID-19 in end of January. While the cross border control and quarantine requirements have frozen tourist arrivals, the outbreak has also caused local shoppers to avoid going out. The meager amount of visitors has seriously impacted the business of tenants focusing on tourists. The social distancing regulations imposed since March, such as limiting public gatherings to four people and the forced closure of entertainment venues, have caused business disruptions to operators like cinemas and eateries. As a result, footfall dropped 35.1% in the first six months and tenants sales of Langham Place Mall experienced a severe drop, underperforming the 33.3% decline in Hong Kong's overall retail sales in the first half due to the drastic drop in tourist traffic.

Given the significant reduction in retail sales, many tenants requested for rental relief and lease restructuring. We took great care to evaluate the requests individually. Rental concessions offered to tenants will be amortised over the remaining lease terms. The amount of concession recognised in the first half did not have material impact on the overall rental retail income. We have allocated more resources to promotional activities aiming to lift footfall and consumer sentiment, including setting up e-shop to offer our tenants' cash vouchers, parking discounts, gift redemptions and bonus point rewards.

Our leasing strategy maintains a focus on keeping high occupancy rates rather than sustaining the rent rates and lease terms. As such, the Mall remained fully occupied as at 30 June 2020. Around 6.0% of tenants' leases were restructured to pay turnover rent, and they accounted for only 6.9% of the property area as at 30 June 2020. Total rental income dropped by 20.6% to HK\$378 million (2019: HK\$477 million). The base rent portion declined 2.7% to



HK\$347 million (2019: HK\$356 million) whereas the turnover rent dropped by a larger extent of 90.2% to HK\$9 million (2019: HK\$90 million). As a result of lease restructuring and rental concessions, the passing base rents of the Mall decreased to HK\$178.9 per sq. ft. (based on lettable floor area) as at 30 June 2020 (HK\$190.5 per sq. ft. as at 31 December 2019).

Upholding a high standard of hygiene, we have stepped up the preventive measures at our properties. As a result, it has incurred an increase in net property management expenses. Expenses invested in sales-oriented promotional programmes also went up. Nevertheless, lower lease management service expenses and rental commissions have helped offset the risen costs. Total net property operating expenses decreased slightly by HK\$1 million. However, the cost savings cannot compensate the significant drop in rental income, causing the net property income of the Mall to shrink by 22.7% to HK\$330 million (2019: HK\$427 million).

# Operational Review

## SUSTAINABILITY

The volatile business environment coupled with the outbreak of COVID-19 have presented tremendous impact on our business. Being able to engage stakeholders proactively is crucial to the sustainability of our business. We are mindful of the expectations of our stakeholders, and have strived to respond to their viewpoints with agility during these trying times. Adjusting to the new normal, we have made determined efforts to innovate and support our tenants, such as introducing the novel method in rental settlement and pioneering the 360° virtual tour of office buildings.

Under our 2030 sustainability targets established in 2019, we have been forging partnerships with our stakeholders proactively to reduce environmental footprint and promote wellness. We do our utmost to integrate sustainable development into our business strategy, creating long-term value not only for our business, but also for the

communities we serve.

The Trust is also dedicated to giving back to the community and addressing local needs. Apart from donating sanitising supplies to the community, we have hosted handmade sanitiser and wellness workshops for our employees. In view of the limited internship opportunities available on the market due to the impact of pandemic in the summer of 2020, the Trust rolled out a first-ever entrepreneur programme with an objective to train tertiary students with practical business and marketing skills.

We stay vigilant with our commitment to high legal and compliance standards despite the current arduous circumstances. During the reporting period, the Trust engaged external consultants to review the compliance procedures on anti-money laundering and sanctions with a view to enhance our risk management and corporate governance.

# Outlook

The outlook of the second half of the year is bleak. The coronavirus pandemic could continue to affect economic activities amid a persistent spread of COVID-19 globally and locally. Social distancing regulations will plunge traditional businesses into a deeper mire. In addition, geopolitical tensions and deteriorating local economic situation would deal another blow to our tenants. We are worried that the global economic recession triggered by COVID-19 might deepen further on the unemployment and bankruptcies across the globe, resulting in a longer time for recovery.

Grade A office market in Central is expected to continue to face a downward trend over the next few months. Vacancy rates have reached a new record high since global financial crisis with market rent falling sharply. Occupiers opt for relocation and downsizing alternatives in view of the uncertain economic outlook. Demand from Chinese financial institutions which has been supporting Central's rent level, has almost vanished. Furthermore, work-from-home arrangements have prompted office occupiers to review their renting strategies. Nevertheless, physical offices and dedicated workspaces should continue for a majority of businesses. The positive rental reversion achieved for Three Garden Road would not be sustainable in the second half. Interruptions in the business of lifestyle tenants caused by COVID-19, and the trend of traditional office tenants seeking to cut cost would create further downward pressure on the rental market of Langham Place Office Tower. Since our leasing strategy strives to focus on occupancy and tenant retention, the vacancy level of our office portfolio might inevitably increase towards the year end in the existing battered business environment.

Footfall and tenant sales of Langham Place Mall are finding their bottom following the tightened social distancing regulations. The negative outlook of local discretionary

spending and absence of tourists will mean a lengthy recovery for the retail industry. Rental income would continue to be under immense pressure in the remainder of 2020. That said, we will continue to strengthen promotional activities to revive consumer sentiment and stimulate tenants sales.

The outbreak has changed the behaviour of both office workers and shoppers, and spurred the usage of online platforms. To adapt to the new normal, we have launched an online shop to sell vouchers of the retail tenants in the mall and lifestyle tenants in the office tower respectively. In addition, we have made available virtual tours for Three Garden Road and Langham Place Office Tower to facilitate potential overseas tenants to view our properties remotely. We are poised to become a pioneer in the deployment of VR technology in Hong Kong office leasing.

Given the unfavourable outlook for all the properties in the portfolio, the Trust is expected to continue to face downside risks in rental income and DPU in the second half. We will continue to enhance liability and treasury management to generate yields and enhance income. With quantitative easing taking place globally and the strong holding power of many sellers, attractive acquisition opportunities are limited. We will continue to adopt a prudent approach on investment opportunities with long-term growth potentials for unitholders. However, we are very cautious amidst the poor global economic conditions.

We are committed to working shoulder to shoulder with tenants and stakeholders to pursue long-term sustainability and ride out difficult times together. We will also continue to integrate sustainable development into our business strategy, creating long-term value for our unitholders and stakeholders.

By Order of the Board

**Eagle Asset Management (CP) Limited**  
(as manager of Champion Real Estate Investment Trust)

**Lo Ka Shui**  
*Chairman*

Hong Kong, 20 August 2020

# Valuation of Properties

According to the Property Valuation Reports issued by Colliers International (Hong Kong) Limited on 27 July 2020, the valuation of the properties of Champion REIT, broken down by usage as at 30 June 2020 was:

<b>June 2020 Valuation</b>	<b>Three Garden Road HK\$' million</b>	<b>Langham Place HK\$' million</b>	<b>Sub-total HK\$' million</b>
Office	42,296	9,576	51,872
Retail	630	18,013	18,643
Car Park	596	318	914
Miscellaneous	346	218	564
<b>Total</b>	<b>43,868</b>	<b>28,125</b>	<b>71,993</b>

As at 30 June 2020, the appraised value of the Trust's property portfolio was HK\$72.0 billion, down by 11.3% from HK\$81.2 billion as at 31 December 2019. The decrease was mainly due to lower rental assumptions and increase in capitalisation rates for all the properties. The capitalisation rates used to value Three Garden Road, Langham Place Office and Langham Place Mall were at 3.7%, 4.1% and 4.0% respectively.

# Financial Review

## DISTRIBUTIONS

The Distribution Amount of Champion REIT for the six months ended 30 June 2020 was HK\$724 million (2019: HK\$782 million), calculated as 90% of Champion REIT's total available distributable income of HK\$804 million (2019: HK\$869 million).

The distribution per unit for the six months ended 30 June 2020 ("Interim Distribution per Unit") was HK\$0.1229. This represents an annualised distribution yield of 6.4% based on the closing price of HK\$4.03 as at 30 June 2020. Such distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2020 and the record date. A further announcement will be made to unitholders informing them of any adjustment to the Interim Distribution per Unit.

## CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 22 September 2020 to Friday, 25 September 2020 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The payment of the distribution for the six months ended 30 June 2020 will be made on Friday, 9 October 2020 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 30 June 2020, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30pm on Monday, 21 September 2020.

## PROACTIVE LIABILITY MANAGEMENT

### Committed Debt Facilities <sup>(1)</sup>

As at 30 June 2020  
(HK\$ million)

	Fixed rate debt <sup>(2)</sup>	Floating rate debt	Total debt	Undrawn committed facilities	Total debt and undrawn committed facilities
<b>HK\$ denominated</b>					
Secured bank loans	3,450	235	3,685	–	3,685
Unsecured bank loans	2,900	3,114	6,014	2,086	8,100
Medium Term Notes	1,700	643	2,343	–	2,343
	<b>8,050</b>	<b>3,992</b>	<b>12,042</b>	<b>2,086</b>	<b>14,128</b>
<b>US\$ denominated<sup>(3)</sup></b>					
Medium Term Notes	5,323	–	5,323	–	5,323
	<b>5,323</b>	<b>–</b>	<b>5,323</b>	<b>–</b>	<b>5,323</b>
<b>Total</b>	<b>13,373</b>	<b>3,992</b>	<b>17,365</b>	<b>2,086</b>	<b>19,451</b>

<sup>(1)</sup> All amounts are stated at face value

<sup>(2)</sup> After accounting for interest rate swaps

<sup>(3)</sup> 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 by way of cross currency swaps

The Trust continued to take the initiative to strengthen its liquidity position amid the coronavirus pandemic. During the reporting period, the Trust issued US\$300 million 10-year medium term notes at 2.95% per annum and entered into several committed term and revolving credit facilities

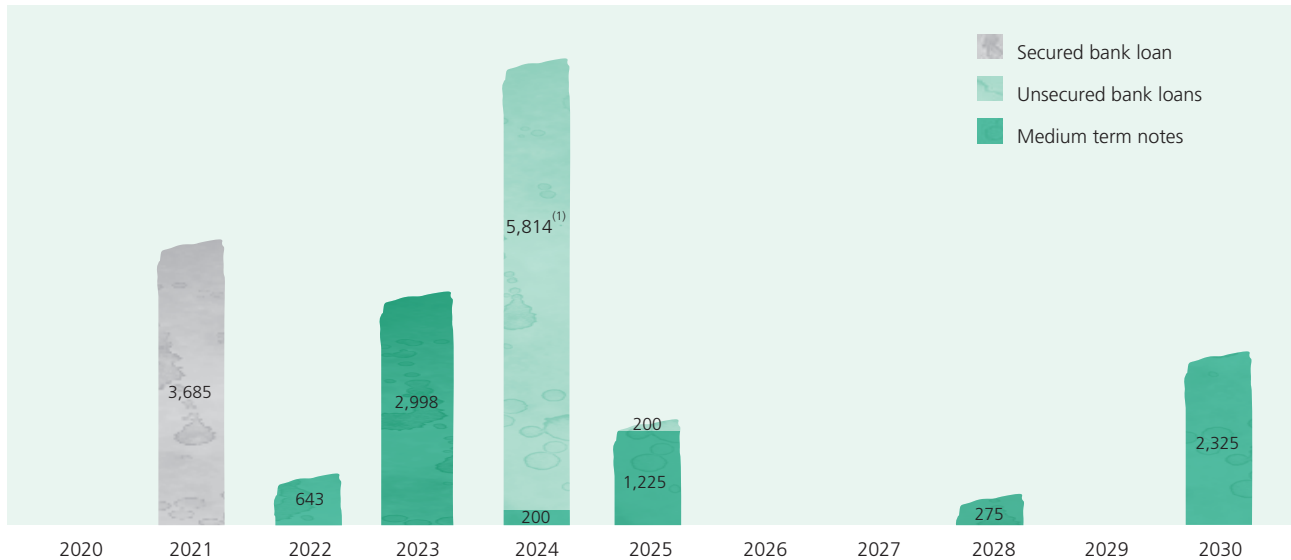
with a total amount of HK\$2.0 billion. In order to hedge against its floating-rate unsecured bank loans, the Trust also entered into interest rate swaps with a total notional amount of HK\$1.4 billion.



# Financial Review

## Outstanding Debt Maturity Profile <sup>(1)</sup>

As at 30 June 2020  
(HK\$ million)



(1) Including committed revolving credit facility of HK\$850 million with final maturity in June 2024

As at 30 June 2020, 78.8% (31 December 2019: 75.5%) of total outstanding debt facilities were unsecured. The remaining 21.2% (31 December 2019: 24.5%) of loan facilities of HK\$3,685 million is secured by certain portions of Three Garden Road, which carried a fair value of HK\$22.5 billion as at 30 June 2020. The Trustee has provided guarantees for all of the debt facilities.

As at 30 June 2020, the fixed-rate debt proportion increased by 12.8% to 77.0% (31 December 2019: 64.2%). But this is expected to drop next year given that 20.0% of total outstanding debt hedged by interest rate swaps will mature in June 2021. After accounting for interest rate swaps and cross currency swaps, the effective interest rate for the reporting period was 2.9% (31 December 2019: 3.0%). The average life of the Trust's outstanding debt was 3.8 years as at 30 June 2020 (31 December 2019: 3.2 years).

The Trust's investment properties as at 30 June 2020 were appraised at a total value of HK\$72.0 billion (31 December 2019: HK\$81.2 billion). Coupled with the increase in total debt to HK\$17.4 billion (31 December 2019: HK\$15.0 billion), the Trust's gearing ratio (or total borrowings as a percentage of gross assets) increased to 22.7% (31 December 2019: 18.0%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 27.4% (31 December 2019: 22.5%).

## LIQUIDITY POSITION

As at 30 June 2020, HK\$2,886 million term and revolving credit facilities granted to the Trust remained undrawn. Of which, committed and uncommitted facilities are HK\$2,086 million and HK\$800 million respectively. Together with cash and deposits of HK\$3,981 million - including HK\$2,317 million denominated in US\$ - the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

On treasury management, to enhance returns to our Unitholders, the Trust held bonds with aggregate carrying amounts of HK\$252 million (31 December 2019: HK\$215 million) at the end of the reporting period. The Trust intended to hold the bonds until their respective maturities. As at 30 June 2020, the Trust also held listed equities with a fair value of HK\$32 million.

## NET ASSET VALUE PER UNIT

Net asset value per unit as at 30 June 2020 was HK\$9.44. It represented a 134.2% premium to the closing unit price of HK\$4.03 as at 30 June 2020.

## COMMITMENTS

As at 30 June 2020, the Trust did not have any significant commitments at the end of the reporting period.

# Biographical Details of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the REIT Manager subsequent to the date of the 2019 Annual Report of Champion REIT are updated as follow:

## **Dr LO Ka Shui**

*Chairman and Non-executive Director*

Dr LO Ka Shui, aged 73, was appointed the Chairman and a Non-executive Director of the REIT Manager in 2006. He is a member of Audit Committee, Disclosures Committee and Nomination Committee of the REIT Manager. 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 and a member of the Board of Trustees of the Hong Kong Centre for Economic Research.

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.

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## **Ms WONG Ka Ki, Ada**

*Chief Executive Officer and Executive Director*

Ms WONG Ka Ki, Ada, aged 39, has been the Chief Executive Officer, an Executive Director and the Chairman of Disclosures Committee of the REIT Manager since 2016. 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 2014. She was also appointed as the Chief Investment Officer of the REIT Manager in 2015. As Chief Investment Officer, she is responsible for identifying and evaluating potential acquisitions or investments opportunities. 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 a Responsible Officer as defined under the Securities and Futures Ordinance. She is also a Director of all special purpose vehicles of Champion REIT.

Ms Wong has almost 20 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-raisings and strategic M&A transactions.

Ms Wong graduated from University of Michigan (Ann Arbor) – Ross School of Business with a Bachelor of Business Administration degree. She was honoured with the titles of Best CEO by FinanceAsia in 2020; Best IR by CEO by the Hong Kong Investor Relations Association in 2017, 2018 and 2019; Directors Of the Year Awards – Listed Companies Executive Director by the Hong Kong Institute of Directors in 2018; and Asia's Best CEO by Corporate Governance Asia in 2017, 2018 and 2019. She is the Chairperson of Asia Pacific Real Estate Association Hong Kong chapter and a Fellow member of the Royal Institution of Chartered Surveyors.

# Biographical Details of Directors

## **Mr IP Yuk Keung, Albert**

*Non-executive Director*

Mr IP Yuk Keung, Albert, aged 68, 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. Mr Ip 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 an Independent Non-executive Director of Lifestyle International Holdings Limited, Power Assets Holdings Limited, TOM Group Limited, New World Development Company Limited and Hutchison Telecommunications Hong Kong Holdings 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 Executive Director and Chief Executive Officer of the Manager of the publicly listed trust, Langham Hospitality Investments and an Independent Non-executive Director of Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited) and Hopewell Holdings Limited.

Mr Ip is an Adjunct Professor of City University of Hong Kong, Hong Kong University of Science and Technology, The Hang Seng University of Hong Kong and The Chinese University of Hong Kong. He is also a Member of the International Advisory Board of College of Business at City University of Hong Kong, a Council Member, a Member of the Business School Advisory Council and an Honorary Advisor of School of Humanities and Social Science at The Hong Kong University of Science and Technology, a Professor of Practice (International Banking and Real Estate) at The Hong Kong Polytechnic University, a member of the International Advisory Committee and Adjunct Distinguished Professor in Practice at University of Macau, a trustee of the Board of Trustee at Washington University in St. Louis and an honorary fellow of Vocational Training Council. He is a vice chairman of the World Green Organisation.

Mr Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science at Washington University in St. Louis (summa cum laude), and Master of Science degree in Applied Mathematics at Cornell University and a Master of Science degree in Accounting and Finance at Carnegie-Mellon University.

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## **Mr CHA Mou Sing, Payson**

*Independent Non-executive Director*

Mr CHA Mou Sing, Payson, aged 78, 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, an Independent Non-executive Director of New World Development Company Limited and the Chairman and Non-executive Director of Million Hope Industries Holdings 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*

Mr CHENG Wai Chee, Christopher, aged 72, has been a Director of the REIT Manager since 2006. He is a member of the Audit Committee and Nomination 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.

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**Mr HO Shut Kan***Independent Non-executive Director*

Mr HO Shut Kan, aged 71, has been a Director of the REIT Manager since 2007. He has been appointed as a member of the Audit Committee and the Chairman of the Nomination 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 January 2017. He has over forty years of experience in the property sector. During the past three years, 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.

# Biographical Details of Directors

## **Mr SHEK Lai Him, Abraham**

*Independent Non-executive Director*

Mr SHEK Lai Him, Abraham, aged 75, was appointed an Independent Non-executive Director in 2006. He is the Chairman of Audit Committee, and a member of Disclosures Committee and Nomination 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. He is also a Honorary Member of the Court of The Hong Kong University of Science and Technology and a member of both of the Court and the Council of The University of Hong Kong. Mr Shek is currently the Honorary 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 Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International 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, CSI Properties Limited, Far East Consortium International Limited and Landing International Development 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 is an Independent Non-executive Director of Ping An OneConnect Bank (Hong Kong) Limited. During the past three years, Mr Shek was an Independent Non-executive Director of ITC Corporation Limited (now known as PT International Development Corporation Limited), Midas International Holdings Limited (now known as Magnus Concordia Group Limited), Hop Hing Group Holdings Limited and MTR Corporation Limited. He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

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



# Corporate Governance

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

The Board of Directors (“Board”) 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 Securities and Futures Commission (“SFC”) under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and regulated by the SFC pursuant to the provisions of the SFO, the Code on Real Estate Investment Trusts (“REIT Code”) and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Ms Wong Ka Ki, Ada, the Chief Executive Officer and Executive Director, 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.

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 the Unitholders, and to oversee the activities of the REIT Manager in accordance with and for compliance with the Deed of Trust constituting Champion REIT (“Trust Deed”), other relevant constitutive documents and the regulatory requirements applicable to Champion REIT. Whereas the REIT Manager is responsible for managing Champion REIT in accordance with the Trust Deed and ensuring that the financial and economic aspects of Champion REIT’s assets are professionally managed in the sole interest of the Unitholders. The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Trust Deed entered into between the REIT Manager and the Trustee on 26 April 2006 as amended from time to time.

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

# Corporate Governance

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

### **Board of Directors**

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

The Board currently comprises 7 members, with 1 Executive Director, 2 Non-executive Directors and 4 Independent Non-executive Directors. The 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. In addition, the REIT Manager has adopted a Nomination Policy. It 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 Board of the REIT Manager may establish Board committees with clear terms of reference to review specific issues or items. The three standing Board committees established are the Audit Committee, Disclosures Committee and the Nomination Committee. There is no change to the composition of the Board or any of its committees during the six months ended 30 June 2020.

### **Audit Committee**

The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's risk management and internal control systems. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee currently comprises 3 Independent Non-executive Directors (namely, Mr Shek Lai Him, Abraham, Mr Cheng Wai Chee, Christopher and Mr Ho Shut Kan) and a Non-executive Director (namely, Dr Lo Ka Shui). Mr Shek is the Chairman of the Audit Committee.

### **Disclosures Committee**

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

### **Nomination Committee**

The role of the Nomination Committee is to formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of Directors and Board succession planning, to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of the non-executive directors. The Nomination Committee shall consider all individuals recommended to be Directors by any Directors or shareholders of the REIT Manager in accordance with the Nomination Policy of the REIT Manager. The Nomination Committee currently comprises 3 Independent Non-executive Directors (namely, Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan and Mr Shek Lai Him, Abraham) and a Non-executive Director (namely, Dr Lo Ka Shui). Mr Ho is the Chairman of the Nomination Committee.

## Manager-In-Charge

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	Senior IT Project Manager
7. Compliance	Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	Chief Operating Officer – Risk Management and Compliance Manager

## CONFLICTS OF INTERESTS AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED

As mentioned hereinbefore, the REIT Manager and the Property Manager provide the management and operating services to Champion REIT respectively. Whereas Longworth Management Limited ("Longworth") acts as Office Sub-DMC Manager of Langham Place Office Tower. The Keyesen Property Management Services Limited ("KPM") (formerly known as Great Eagle Properties Management Company, Limited) acts as (1) Estate Manager of Langham Place Mall, (2) CAF Estate Manager and DMC Manager of Langham Place and (3) DMC Sub-manager of Three Garden Road. All of the above companies are wholly-owned subsidiaries of Great Eagle Holdings Limited ("Great Eagle"). Dr Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle and a director of its affiliated companies. There may be potential conflicts of interests between Great Eagle and Champion REIT in respect of the performance of estate management services in relation to Three Garden Road and Langham Place or other properties.

## 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 "Langham", "Cordis", "Eaton" 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, North America, Australasia 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. There are no non-compete agreements between Great Eagle and Champion REIT.

# Corporate Governance

## **Estate Management Services**

With respect to estate management services, Longworth and KPM 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 KPM 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: (i) in respect of matters in which a Director has an interest, direct or indirect, in any contract or arrangement to which Champion REIT (whether through the REIT Manager or the Trustee) is a party, such interested Director shall disclose his/her interest to the Board and abstain from voting at a meeting of the Directors at which the relevant matters are to be decided; (ii) the REIT Manager is a dedicated manager to Champion REIT and will not manage any other real estate investment trust or be involved in any other real property business; (iii) 6 out of 7 or more than 85% of the Board members are not related to Great Eagle and the Independent Non-executive Directors will act independently for the interests of Champion REIT; (iv) the management structure of the REIT Manager includes the Audit Committee, the Disclosure Committee and the Nomination Committee to promote a high level of corporate governance and address any potential conflicts of interests with Great Eagle; (v) the REIT Manager has adopted the Compliance Manual and Operations Manual which set out detailed compliance procedures in connection with its operations; (vi) the REIT Manager has a team of full-time senior management and employees that operates independently of Great Eagle; and (vii) all connected party transactions are managed in accordance with the requirements set out in the REIT Code, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Champion REIT.

## COMPLIANCE

During the six months ended 30 June 2020, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

The REIT Manager has adopted a Code Governing Dealings in Securities by the Management Persons (the “Code on Securities Dealings”) on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Management Persons include directors, executive officers and the company secretary of the REIT Manager. The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standard set out in the Code on Securities Dealings during the six months ended 30 June 2020.

## REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2020 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.



# Connected Party Transactions Report

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

## CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group for the 6 months ended 30 June 2020 ("Period").

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

### Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	144,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction <sup>1</sup>	188,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction <sup>2</sup>	4,455,000
Keyzen Property Management Services Limited	Subsidiary of Great Eagle	Car parking fee	30,000
Keyzen Property Management Services Limited	Subsidiary of Great Eagle	Leasing transaction <sup>3</sup>	4,287,000
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction <sup>4</sup>	28,224,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Leasing transaction <sup>5</sup>	5,533,000
<b>Total</b>			<b>42,861,000</b>

### Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income <sup>1</sup>	41,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income <sup>2</sup>	478,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Building management fee income <sup>3</sup>	464,000
Best Come Limited	Subsidiary of Great Eagle	Building management fee income <sup>4</sup>	2,673,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Building management fee income <sup>5</sup>	658,000
<b>Total</b>			<b>4,314,000</b>

### Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Selex Engineering Services Limited (formerly known as The Great Eagle Engineering Company Limited)	Subsidiary of Great Eagle	Repair and maintenance services	476,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Estate management expense	44,355,000 <sup>6</sup>
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	5,957,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Marketing expense	83,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Promotion income <sup>7</sup>	11,000
<b>Total</b>			<b>50,883,000</b>

# Connected Party Transactions Report

## Notes:

1. A security deposit by way of cash of approximately HK\$117,000 provided by Eagle Asset Management (CP) Limited was held by the Trust as at the Period end date.
2. Security deposits by way of bank guarantee and cash in an aggregate amount of approximately HK\$3,188,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Period end date.
3. A security deposit by way of cash of approximately HK\$2,103,000 provided by Keysen Property Management Services Limited was held by the Trust as at the Period end date.
4. Security deposits by way of corporate guarantee and cash in the amount of HK\$8,236,000 and HK\$8,326,000 respectively provided by Best Come Limited were held by the Trust as at the Period 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 Period end date.
6. Out of this HK\$44,355,000, approximately HK\$42,877,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,478,000 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 Keysen Property Management Services Limited. Pursuant to the Langham Place Mall Estate Management Agreement, the Mall Estate Manager was entitled to retain at all times an amount equal to one-sixth of the annual expenditure under the approved budget for the year ended 31 December 2020; so as to enable the Mall Estate Manager to make payment of estate management expenses.
7. The promotion income from Eagle Property Management (CP) Limited has been set-off against promotion expenses in the financial statement.

## PRE-EXISTING AGREEMENTS

The following tables set forth information on the agreements previously entered into with the Great Eagle Connected Persons Group in relation to the management and operation of Three Garden Road and Langham Place before the acquisition by Champion REIT, which will continue to subsist and are subject to annual limits of the waiver from strict compliance with the requirements and/or reporting requirements under Chapter 8 of the REIT Code.

### Pre-Existing Agreements subject to Waiver

The following Pre-Existing Agreements are among the connected parties transactions with the Great Eagle Connected Persons Group as disclosed above and they are dealt with as if they were connected party transactions which are subject to annual limits of the waiver from strict compliance with the requirements under Chapter 8 of the REIT Code:

Name/ Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Period HK\$
Langham Place Mall Estate Management Agreement	Keysen Property Management Services Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	42,877,000
CAF Management Agreement (in relation to the common areas/facilities of Langham Place)	Keysen Property Management Services Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	1,478,000

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

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/Expenses for the Period HK\$
DMC (deed of mutual covenant) for Langham Place	Keysen Property Management Services Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense <sup>1</sup>	1,859,000
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 <sup>2</sup>	26,643,000
Deed of Delegation	Keysen Property Management Services Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Delegation of management functions of common areas/facilities	Nil
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services and reimbursement	52,539,000 <sup>4</sup>
DMC (deed of mutual covenant) for Three Garden Road	Keysen Property Management Services Limited (as DMC Sub-manager appointed by the DMC Manager of Three Garden Road)	Subsidiary of Great Eagle	Building management fee expense <sup>3</sup>	84,707,000 <sup>5</sup>

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by Keysen Property Management Services Limited in its capacity as DMC Manager of Langham Place as at the Period end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Period end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by Keysen Property Management Services Limited in its capacity as DMC Sub-manager of Three Garden Road as at the Period end date.
4. Out of this HK\$52,539,000, approximately HK\$38,999,000 represented the amount of property and lease management service fee paid, approximately HK\$9,115,000 represented the amount of rental commission paid and approximately HK\$4,425,000 represented the amount of reimbursement paid to Keysen Property Management Services Limited as delegate for operating the carparks of Langham Place and Three Garden Road.
5. It represented the amount of building management fee paid under the DMC for Three Garden Road.

# Connected Party Transactions Report

## **OTHER CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP**

### **REIT Manager's fee**

Eagle Asset Management (CP) Limited, a wholly-owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee of approximately HK\$143,320,000, being the 12% of the net property income of Champion REIT for such services rendered during the Period, is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

In 2012, the REIT Manager has notified the Trustee in writing and elected to receive 50% of the Manager's Fee in the form of Units and the balance of 50% in cash for the financial year 2013. As no change has been made by the REIT Manager, according to Clause 11.1.2 of the Trust Deed, the way of receipt of the Manager's Fee as to 50% in the form of Units and 50% in cash remains applicable to the financial year 2020. For the Period, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$71,660,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$71,660,000.

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

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

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

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

## Connected Party Transactions – Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	4,032,000
HSBC Group	Trustee Connected Persons	Bank charge	85,000
HSBC	Trustee Connected Persons	Interest income of interest rate swap	3,751,000
HSBC	Trustee Connected Persons	Loan interest/expense	3,353,000
Hang Seng Bank Limited <sup>1</sup> ("Hang Seng")	Trustee Connected Persons	Loan upfront fee and interest/expense	58,618,000
Hang Seng	Trustee Connected Persons	Agency fee expense	105,000

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

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

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

HSBC is one of the mandated lead arrangers under the Facility Agreement dated 14 June 2019 in respect of HK\$850 million revolving loan facility.

Hang Seng is the mandated lead arranger under the Facility Agreement dated 26 June 2020 in respect of HK\$1 billion term and revolving loan facility.

During the Period, EAM-Champion REIT Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) has purchased a bond through HSBC as broker. The total cost in respect of the bond amounted to approximately HK\$ 38,747,000 as at 30 June 2020.

Note:

1. Hang Seng is a subsidiary of HSBC. It acts as the facility agent for the term loan facility of HK\$5,800 million. Syndicates of lenders of the facility include Hang Seng and HSBC. As at 30 June 2020, the outstanding amount was HK\$3,685 million after an aggregate amount of HK\$2,115 million was prepaid in previous years. Various portions of Three Garden Road were mortgaged to the syndicates of lenders as security. During the Period, Hang Seng acts as the facility agent under the Facility Agreement dated 26 June 2020 in respect of HK\$1 billion term and revolving loan facility. As at 30 June 2020, a term loan portion of HK\$200 million was drawn and outstanding.



# Connected Party Transactions Report

## **Connected Party Transaction – Corporate Finance Transaction with HSBC Group**

On 15 June 2020, as Champion MTN Limited has issued an aggregate principal amount of US\$300 million 2.95 per cent. Guaranteed Notes due 2030 under the US\$2 billion Guaranteed Medium Term Note Programme, a combined management and underwriting commission of US\$74,750 was paid to HSBC as one of the dealers.

## **Connected Party Transactions – Others**

During the Period, the trustee fee of approximately HK\$6,686,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

## **CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS**

During the Period, the total amount of approximately HK\$9,193,000 in aggregate were incurred for services rendered by Colliers International (Hong Kong) Limited (“Colliers Hong Kong”) and its associate Colliers International Agency Limited (“Colliers Agency”). Among these, approximately HK\$72,000 was the valuation fee incurred for service rendered by Colliers Hong Kong in the capacity as the principal valuer of Champion REIT and approximately HK\$9,121,000 was the rental commission incurred for agency services rendered by Colliers Agency.

Hong Kong, 20 August 2020

Notes:

1. All figures presented in this “CONNECTED PARTY TRANSACTIONS REPORT” have been rounded to the nearest thousand.
2. The company namely Keyesen Property Management Services Limited in this “CONNECTED PARTY TRANSACTIONS REPORT” formerly known as The Great Eagle Properties Management Company, Limited.

# Disclosure of Interests

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

As at 30 June 2020, 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:

### Directors and Chief Executive of the REIT Manager

Name	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Total Number of Units/ Underlying Units Held <sup>8</sup>	Percentage of Issued Units <sup>9</sup>
Lo Ka Shui	Beneficial Owner	Personal Interests	3,592,007		
	Interests of Controlled Corporations	Corporate Interests	3,927,726,904 <sup>1</sup>		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	19,115,000	3,950,433,911 <sup>2</sup>	67.08
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730	13,424,730 <sup>5</sup>	0.23
Wong Ka Ki, Ada	Interests of Spouse	Family Interests	400,000	400,000 <sup>6</sup>	0.01

### REIT Manager

*(also a substantial Unitholder)*

Name	Total Number of Units/ Underlying Units Held <sup>8</sup>	Percentage of Issued Units <sup>9</sup>
Eagle Asset Management (CP) Limited	451,810,929	7.67

# Disclosure of Interests

## Substantial Unitholders

Name	Total Number of Units/ Underlying Units Held <sup>8</sup>	Percentage of Issued Units <sup>9</sup>
Great Eagle Holdings Limited (“Great Eagle”)	3,924,468,294 <sup>3</sup>	66.64
HSBC International Trustee Limited	3,874,225,462 <sup>4</sup>	65.79
HKSCC Nominees Limited	2,320,243,253 <sup>7</sup>	39.40
Top Domain International Limited	1,420,416,628	24.12
Keen Flow Investments Limited	1,071,375,933	18.19
Bright Form Investments Limited	680,232,558	11.55

### Notes:

- Among these 3,927,726,904 Units:
  - 50,000 Units, 940,000 Units, 589,000 Units and 1,679,610 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;
  - 3,924,468,294 Units and/or underlying Units were indirectly held by Great Eagle as explained in Note 3 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 35,783,939 Units/underlying Units in aggregate as compared with the position as at 31 December 2019.
- The 3,924,468,294 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table as at 30 June 2020. The following table shows the number of Units and/or underlying Units held by these companies as at 30 June 2020 and 31 December 2019 respectively:

Name	Number of Units/ Underlying Units Held As at 30 June 2020	Number of Units/ Underlying Units Held As at 31 December 2019
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	451,810,929	435,766,717
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	36,184,000	16,444,273
Ecobest Ventures Limited	3,095,000	3,095,000

4. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as at 8 March 2019) received from HSBC International Trustee Limited ("HITL"). When compared with the position as at 31 December 2019, the unitholdings of HITL remained unchanged.

HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 33.64% interests in Great Eagle as at 30 June 2020. 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 being 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 29.36% voting right in the capital of Great Eagle as at 30 June 2020.

5. The unitholdings of Mr Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 31 December 2019.
6. The unitholdings of Ms Wong Ka Ki, Ada remained unchanged as compared with the position as at 31 December 2019.
7. 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 438,164 Units when compared with the position as at 31 December 2019.
8. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.
9. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,888,833,523 as at 30 June 2020.

Save as disclosed above, so far as is known to the REIT Manager, none of the Directors and Chief Executive of the REIT Manager and no other persons had any interests (or were deemed to be interested) and short positions in the Units, underlying Units and debentures of Champion REIT as at 30 June 2020 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 30 June 2020, 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 <sup>2</sup>
HSBC Group	2,185,467 <sup>1</sup>	0.04

Notes:

1. The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries, unless otherwise expressly stated herein) ("HSBC Group") are connected persons by virtue of being holding company, controlling entities, subsidiaries or associated companies (as defined under the REIT Code) of the Trustee of Champion REIT according to the information available to the REIT Manager. The number of Units held by HSBC Group increased by 1,566,604 Units as compared with the position as at 31 December 2019.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,888,833,523 as at 30 June 2020.

Save as disclosed above, the REIT Manager is not aware of any other connected persons (as defined under the REIT Code) of Champion REIT holding any Units and/or underlying Units of Champion REIT as at 30 June 2020.

# Disclosure of Interests

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

Great Eagle is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham"). As at 30 June 2020, Great Eagle owned 3,924,468,294 Units and/or underlying Units (66.64%) in Champion REIT and 1,364,823,833 share stapled units (63.61%) in Langham. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle and Langham as at 30 June 2020 are disclosed as follows:

### Great Eagle

Name of Directors and Chief Executive of the REIT Manager	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total Number of Ordinary Shares/ Underlying Shares Held
Lo Ka Shui	Beneficial Owner	Personal Interests	59,356,775 <sup>1</sup>	
	Interests of Controlled Corporations	Corporate Interests	88,813,415	
	Founder of a Discretionary Trust	Trust Interests	63,223,699	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015	453,549,904
Ip Yuk Keung, Albert	Beneficial Owner	Personal Interests	60,000	60,000
Wong Ka Ki, Ada	Beneficial Owner	Personal Interests	477,909 <sup>2</sup>	477,909

### Langham

Name of Directors and Chief Executive of the REIT Manager	Capacity	Nature of Interests	Number of Share Stapled Units/ Underlying Share Stapled Units Held	Total Number of Share Stapled Units/ Underlying Share Stapled Units Held
Lo Ka Shui	Beneficial Owner	Personal Interests	8,073,500	
	Interests of Controlled Corporations	Corporate Interests	1,366,883,833 <sup>3</sup>	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	44,100,000	1,419,057,333
Ip Yuk Keung, Albert	Interests held jointly with another person	Joint Interests	3,015,000	3,015,000

Note:

- Among these interests, 2,066,000 were share options.
- Among these interests, 450,000 were share options.
- Among these 1,366,883,833 Units, Dr Lo Ka Shui had a corporate interest in 2,060,000 share stapled units of Langham and was deemed to be interested in 1,364,823,833 share stapled units of Langham held by Great Eagle as at 30 June 2020 by virtue of being a substantial shareholder, the Chairman and Managing Director of Great Eagle.

# Other Information

## NEW UNITS ISSUED

On 4 March 2020, 16,044,212 new Units were issued to the REIT Manager at the price of HK\$4.555 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee arising from the real estate owned by Champion REIT of approximately HK\$73 million payable by Champion REIT for the six months ended 31 December 2019.

Except for the above, no new Units were issued during the six months ended 30 June 2020. As at 30 June 2020, the total number of issued Units of Champion REIT was 5,888,833,523.

## REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the six months ended 30 June 2020.

## RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 July 2020 is set out below:

As at 31 July 2020	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$)	Mark-to-market Value (HK\$)	Weighting of GAV (%)	Credit Rating (S&P's/ Moody's/ Fitch's)
KERPRO 5 <sup>7</sup> / <sub>8</sub> 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296,000	60,855,000	0.0734%	- / - / -
NANFUN 4 <sup>1</sup> / <sub>2</sub> 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	9,767,000	0.0118%	BBB- / Baa3 / BBB-
NANFUN 4 <sup>7</sup> / <sub>8</sub> 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	57,546,000	0.0694%	BBB- / Baa3 / BBB-
NWDEVL 5 <sup>1</sup> / <sub>4</sub> 02/26/21	Bond	Hong Kong Exchange	BVI	USD	41,574,000	39,407,000	0.0475%	- / - / -
PCCW 3 <sup>3</sup> / <sub>4</sub> 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	51,089,000	0.0616%	BBB / Baa2 / -
CAPG 6.35 02/08/24	Bond	Singapore Exchange	Cayman Islands	USD	38,747,000	39,077,000	0.0471%	B / B2 / BB-
MOLAND 11 <sup>1</sup> / <sub>2</sub> 11/13/22	Bond	Singapore Exchange	Cayman Islands	USD	3,809,000	3,789,000	0.0046%	- / B3 / B
GRNCH 5.65 07/13/25	Bond	Hong Kong Exchange	Cayman Islands	USD	9,300,000	9,576,000	0.0116%	- / Ba3 / -
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	77,488,000	77,729,000	0.0938%	BB- / - / BB
CIFIHG 7 <sup>5</sup> / <sub>8</sub> 03/02/21	Bond	Hong Kong Exchange	Cayman Islands	USD	55,487,000	55,358,000	0.0668%	- / - / BB
CAPG 7 <sup>1</sup> / <sub>2</sub> 05/10/21	Bond	Singapore Exchange	Cayman Islands	USD	15,791,000	15,775,000	0.0190%	B / B2 / BB-
TPHL 6 05/05/21 *	Bond	Hong Kong Exchange	Cayman Islands	USD	15,656,000	15,611,000	0.0188%	- / - / -
Union Medical Healthcare Limited (Stock Code: 2138.HK)	Equity	Hong Kong Exchange	Cayman Islands	HKD	33,932,000	33,124,000	0.0400%	N / A
<b>Total</b>					<b>475,121,000</b>	<b>468,703,000</b>	<b>0.5654%</b>	

\* Settlement date is 3 August 2020.

Notes: (1) The weighting of GAV is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.

(2) All figures presented above have been rounded to the nearest thousand.



# Other Information

## EMPLOYEES

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

## SUSTAINABILITY

The volatile business environment coupled with the outbreak of COVID-19 have presented tremendous impact on our business. Being able to engage stakeholders proactively is crucial to the sustainability of our business. We are mindful of the expectations of our stakeholders, and have strived to respond to their viewpoints with agility during these trying times. Adjusting to the new normal, we have made determined efforts to innovate and support our tenants, such as introducing the novel method in rental settlement and pioneering the 360° virtual tour of office buildings.

Under our 2030 sustainability targets established in 2019, we have been forging partnerships with our stakeholders proactively to reduce environmental footprint and promote wellness. We do our utmost to integrate sustainable development into our business strategy, creating long-term value not only for our business, but also for the communities we serve.

The Trust is also dedicated to giving back to the community and addressing local needs. Apart from donating sanitising supplies to the community, we have hosted handmade sanitiser and wellness workshops for our employees. In view of the limited internship opportunities available on the market due to the impact of pandemic in the summer of 2020, the Trust rolled out a first-ever entrepreneur programme with an objective to train tertiary students with practical business and marketing skills.

We stay vigilant with our commitment to high legal and compliance standards despite the current arduous circumstances. During the reporting period, the Trust engaged external consultants to review the compliance procedures on anti-money laundering and sanctions with a view to enhance our risk management and corporate governance.

## PURCHASE, SALE OR REDEMPTION OF CHAMPION REIT'S UNITS

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 28 May 2020. During the six months ended 30 June 2020, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

## PUBLIC FLOAT

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

# Financials

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# Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

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

(as Manager of Champion Real Estate Investment Trust)

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust (“Champion REIT”) and its subsidiaries set out on pages 37 to 66, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. Eagle Asset Management (CP) Limited (the “Manager” of Champion REIT) is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

#### Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 August 2020

# Condensed Consolidated Income Statement

For the six months ended 30 June 2020

	Notes	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Rental income	5	1,329,479	1,381,528
Building management fee income		145,579	153,192
Rental related income		12,782	18,222
<b>Total revenue</b>		<b>1,487,840</b>	<b>1,552,942</b>
Property operating expenses	6	(293,507)	(290,323)
<b>Net property income</b>		<b>1,194,333</b>	<b>1,262,619</b>
Interest income		21,195	19,758
Manager's fee	7	(143,320)	(151,514)
Trust and other expenses		(17,261)	(12,460)
(Decrease) increase in fair value of investment properties		(9,172,565)	2,455,700
Fair value changes on financial assets at fair value through profit or loss		(1,939)	–
Finance costs	8	(231,993)	(238,076)
<b>(Loss) profit before tax and distribution to unitholders</b>	9	<b>(8,351,550)</b>	<b>3,336,027</b>
Income taxes	10	(140,253)	(149,500)
<b>(Loss) profit for the period, before distribution to unitholders</b>		<b>(8,491,803)</b>	<b>3,186,527</b>
Distribution to unitholders	12	(723,665)	(782,031)
<b>(Loss) profit for the period, after distribution to unitholders</b>		<b>(9,215,468)</b>	<b>2,404,496</b>
<b>Basic (loss) earnings per unit</b>	13	<b>HK\$(1.44)</b>	<b>HK\$0.54</b>

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>(Loss) profit for the period, after distribution to unitholders</b>	<b>(9,215,468)</b>	<b>2,404,496</b>
<b>Other comprehensive (expense) income:</b>		
<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	(131,125)	(2,494)
Reclassification of fair value adjustments to profit or loss	9,730	4,483
	<b>(121,395)</b>	<b>1,989</b>
<b>Total comprehensive (expense) income for the period</b>	<b>(9,336,863)</b>	<b>2,406,485</b>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	14	71,992,780	81,178,000
Notes receivables	15	152,135	215,093
Derivative financial instruments	20	25,572	61,007
<b>Total non-current assets</b>		<b>72,170,487</b>	<b>81,454,100</b>
<b>Current assets</b>			
Trade and other receivables	16	302,333	259,364
Notes receivables	15	99,412	–
Financial assets at fair value through profit or loss	17	31,993	–
Derivative financial instruments	20	–	3,419
Tax recoverable		1,126	608
Short-term bank deposits	18	610,028	200,000
Cash and cash equivalents	18	3,371,074	1,761,655
<b>Total current assets</b>		<b>4,415,966</b>	<b>2,225,046</b>
<b>Total assets</b>		<b>76,586,453</b>	<b>83,679,146</b>
<b>Current liabilities</b>			
Trade and other payables	19	1,417,886	1,393,805
Deposits received		761,316	799,552
Derivative financial instruments	20	34,577	–
Tax liabilities		113,636	279,194
Distribution payable		723,665	783,505
Bank borrowings	21	4,521,923	843,510
Medium term notes	22	–	199,929
<b>Total current liabilities</b>		<b>7,573,003</b>	<b>4,299,495</b>
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Derivative financial instruments	20	67,166	–
Bank borrowings	21	5,114,588	8,597,553
Medium term notes	22	7,602,380	5,326,277
Deferred tax liabilities	23	658,776	621,499
<b>Total non-current liabilities, excluding net assets attributable to unitholders</b>		<b>13,442,910</b>	<b>14,545,329</b>
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>21,015,913</b>	<b>18,844,824</b>
<b>Net assets attributable to unitholders</b>		<b>55,570,540</b>	<b>64,834,322</b>
<b>Number of units in issue ('000)</b>	24	<b>5,888,834</b>	<b>5,872,789</b>
<b>Net asset value per unit</b>	25	<b>HK\$9.44</b>	<b>HK\$11.04</b>



# Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2020

	Issued units HK\$'000 (note 24)	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 2019 (audited)	24,414,939	(15,236)	5,757,943	36,603,282	66,760,928
Profit for the period, after distribution to unitholders	–	–	–	2,404,496	2,404,496
Cash flow hedges	–	1,989	–	–	1,989
Total comprehensive income for the period	–	1,989	–	2,404,496	2,406,485
Issue of units	73,714	–	–	–	73,714
<b>Net assets attributable to unitholders as at 30 June 2019 (unaudited)</b>	<b>24,488,653</b>	<b>(13,247)</b>	<b>5,757,943</b>	<b>39,007,778</b>	<b>69,241,127</b>
Net assets attributable to unitholders at 1 January 2020 (audited)	24,564,410	44,545	5,757,943	34,467,424	64,834,322
Loss for the period, after distribution to unitholders	–	–	–	(9,215,468)	(9,215,468)
Cash flow hedges	–	(121,395)	–	–	(121,395)
Total comprehensive expense for the period	–	(121,395)	–	(9,215,468)	(9,336,863)
Issue of units	73,081	–	–	–	73,081
<b>Net assets attributable to unitholders as at 30 June 2020 (unaudited)</b>	<b>24,637,491</b>	<b>(76,850)</b>	<b>5,757,943</b>	<b>25,251,956</b>	<b>55,570,540</b>

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.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Operating activities</b>		
(Loss) profit before tax and distribution to unitholders	(8,351,550)	3,336,027
Adjustments for:		
Decrease (increase) in fair value of investment properties	9,172,565	(2,455,700)
Fair value changes on financial assets at fair value through profit or loss	1,939	–
Manager's fee payable in units	71,660	75,757
Interest income	(21,195)	(19,758)
Finance costs	231,993	238,076
Exchange difference	1,146	373
Operating cash flow before movements in working capital	1,106,558	1,174,775
(Increase) decrease in trade and other receivables	(82,501)	43,245
Increase in trade and other payables	53,697	27,009
(Decrease) increase in deposits received	(38,236)	33,926
Cash generated from operations	1,039,518	1,278,955
Interest paid	(231,323)	(229,403)
Hong Kong Profits Tax paid	(269,052)	–
<b>Net cash from operating activities</b>	<b>539,143</b>	<b>1,049,552</b>
<b>Investing activities</b>		
Interest received	28,100	24,356
Additions to investment properties	–	(14,135)
Additions to notes receivables	(38,747)	–
Release of time deposit with original maturity over three months	200,000	–
Placement of time deposits with original maturity over three months	(610,028)	–
<b>Net cash (used in) from investing activities</b>	<b>(420,675)</b>	<b>10,221</b>
<b>Financing activities</b>		
Distribution paid	(783,215)	(799,100)
Repayment of bank loan	–	(5,815,000)
New bank loans raised	200,000	5,813,635
Bank origination fee paid	(13,600)	(51,850)
Proceeds from issuance of medium term notes	2,325,450	–
Issuance cost of medium term notes	(37,684)	–
Redemption of medium term notes	(200,000)	–
<b>Net cash from (used in) financing activities</b>	<b>1,490,951</b>	<b>(852,315)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,609,419</b>	<b>207,458</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,761,655</b>	<b>1,399,530</b>
<b>Cash and cash equivalents at end of the period,</b> represented by bank balances and cash	<b>3,371,074</b>	<b>1,606,988</b>

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 1. GENERAL

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

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

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant disclosure requirements set out in Appendix C of the REIT Code.

At 30 June 2020, the Group's net current liabilities amounted to HK\$3,157,037,000. The Manager is of the opinion that, taking into account the internal financial resources and availability of undrawn loan facilities of the Group, the Group has sufficient working capital for its present requirement at least one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment. Office demand and retail sentiments are severely impacted by the outbreak of COVID-19. In addition, there is a negative impact on the valuation of the Group's investment properties. As such, the condensed consolidated results of operations and fair value of the investment properties were significantly impacted.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which become relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed and presented in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 3.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that material depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Application of amendments to HKFRSs (continued)

#### 3.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the interim period.

#### Financial instrument

##### Financial assets

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

##### ***Financial assets at fair value through profit or loss ("FVTPL")***

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "fair value changes on financial assets at fair value through profit or loss" line item.

#### 4. SEGMENT INFORMATION

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

##### Segment revenue and results

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

##### For the six months ended 30 June 2020

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>Segment revenue</b>	<b>847,548</b>	<b>220,421</b>	<b>419,871</b>	<b>1,487,840</b>
<b>Segment results - Net property income</b>	<b>687,444</b>	<b>177,210</b>	<b>329,679</b>	<b>1,194,333</b>
Interest income				21,195
Manager's fee				(143,320)
Trust and other expenses				(17,261)
Decrease in fair value of investment properties				(9,172,565)
Fair value changes on financial assets at fair value through profit or loss				(1,939)
Finance costs				(231,993)
<b>Loss before tax and distribution to unitholders</b>				<b>(8,351,550)</b>
Income taxes				(140,253)
<b>Loss for the period, before distribution to unitholders</b>				<b>(8,491,803)</b>
Distribution to unitholders				(723,665)
<b>Loss for the period, after distribution to unitholders</b>				<b>(9,215,468)</b>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
Decrease in fair value of investment properties	(4,662,220)	(852,000)	(3,658,345)	(9,172,565)



# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (continued)

For the six months ended 30 June 2019

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>Segment revenue</b>	<b>821,711</b>	<b>211,738</b>	<b>519,493</b>	<b>1,552,942</b>
<b>Segment results - Net property income</b>	<b>665,848</b>	<b>170,029</b>	<b>426,742</b>	<b>1,262,619</b>
Interest income				19,758
Manager's fee				(151,514)
Trust and other expenses				(12,460)
Increase in fair value of investment properties				2,455,700
Finance costs				(238,076)
<b>Profit before tax and distribution to unitholders</b>				<b>3,336,027</b>
Income taxes				(149,500)
<b>Profit for the period, before distribution to unitholders</b>				<b>3,186,527</b>
Distribution to unitholders				(782,031)
<b>Profit for the period, after distribution to unitholders</b>				<b>2,404,496</b>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
Increase in fair value of investment properties	1,101,700	944,000	410,000	2,455,700

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Other segment information

Set out below is the reconciliation of the revenue from contracts with customers for the periods with the amounts disclosed in the segment information.

##### For the six months ended 30 June 2020

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Building management fee income	77,790	26,376	41,413	145,579
Rental related income	286	148	7,738	8,172
<b>Revenue from contracts with customers</b>	<b>78,076</b>	<b>26,524</b>	<b>49,151</b>	<b>153,751</b>
Rental income and rental related income	769,472	193,897	370,720	1,334,089
<b>Segment revenue</b>	<b>847,548</b>	<b>220,421</b>	<b>419,871</b>	<b>1,487,840</b>

##### For the six months ended 30 June 2019

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Building management fee income	83,605	26,654	42,933	153,192
Rental related income	605	348	8,345	9,298
<b>Revenue from contracts with customers</b>	<b>84,210</b>	<b>27,002</b>	<b>51,278</b>	<b>162,490</b>
Rental income and other rental related income	737,501	184,736	468,215	1,390,452
<b>Segment revenue</b>	<b>821,711</b>	<b>211,738</b>	<b>519,493</b>	<b>1,552,942</b>

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

Total revenue arising from leases for the six months ended 30 June 2020 includes variable lease payments that do not depend on an index or a rate of HK\$8,879,000 (2019: HK\$90,480,000), the remaining amounts are lease payments that are fixed.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 4. SEGMENT INFORMATION (CONTINUED)

### Other segment information (continued)

#### Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2020, the fair values of Three Garden Road, Langham Place Office Tower and Langham Place Mall were HK\$43,867,780,000 (31 December 2019: HK\$48,530,000,000), HK\$9,576,000,000 (31 December 2019: HK\$10,428,000,000) and HK\$18,549,000,000 (31 December 2019: HK\$22,220,000,000), respectively.

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

#### Information about major tenants

There was a tenant whose revenue contributed over 10% of the total revenue of the Group for the six months ended 30 June 2020 (30 June 2019: Nil).

## 5. RENTAL INCOME

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Property rental income	1,308,677	1,357,932
Car park income	20,802	23,596
	<b>1,329,479</b>	<b>1,381,528</b>

## 6. PROPERTY OPERATING EXPENSES

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Allowance for credit loss	694	–
Building management expenses	156,745	157,295
Car park operating expenses	5,329	5,254
Government rent and rates	50,586	38,766
Legal cost and stamp duty	1,836	2,991
Promotion expenses	15,754	9,520
Property and lease management service fee	38,999	41,806
Property miscellaneous expenses	1,747	1,577
Rental commission	21,317	30,728
Repairs and maintenance	500	2,386
	<b>293,507</b>	290,323

## 7. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2020 and 2019, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2020 and 2019 as remuneration.

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Manager's fee:</b>		
In the form of units	71,660	75,757
In the form of cash	71,660	75,757
	<b>143,320</b>	<b>151,514</b>

Based on the election results on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June 2020 and 2019 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.

## 8. FINANCE COSTS

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Finance costs represent:</b>		
Interest expense on bank borrowings	128,303	137,239
Interest expense on medium term notes	102,963	100,077
Other borrowing costs	727	760
	<b>231,993</b>	<b>238,076</b>

## 9. (LOSS) PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>(Loss) profit before tax and distribution to unitholders has been arrived at after charging:</b>		
Auditor's remuneration	1,226	1,090
Trustee's fee	6,686	7,324
Principal valuer's fee	72	88
Other professional fee and charges	7,425	2,892
Roadshow and public relations expenses	488	701
Bank charges	164	152
Exchange difference	1,146	373

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 10. INCOME TAXES

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Hong Kong Profits Tax:</b>		
Current tax		
– Current year	102,976	108,116
Deferred tax		
– Current year (note 23)	37,277	41,384
	<b>140,253</b>	<b>149,500</b>

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

## 11. TOTAL DISTRIBUTABLE INCOME

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

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit for the period, before distribution to unitholders	(8,491,803)	3,186,527
Adjustments:		
Manager's fees payable in units	71,660	75,757
Decrease (increase) in fair value of investment properties	9,172,565	(2,455,700)
Fair value changes on financial assets at fair value through profit or loss	1,939	–
Non-cash finance costs	12,434	20,955
Deferred tax	37,277	41,384
<b>Total distributable income</b>	<b>804,072</b>	<b>868,923</b>

## 12. DISTRIBUTION STATEMENT

	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Total distributable income (note 11)	804,072	868,923
Percentage of distributable income for distribution (note (i))	90%	90%
<b>Total distribution amount to be paid</b>	<b>723,665</b>	<b>782,031</b>
<b>Distribution per unit to unitholders (note (ii))</b>	<b>HK\$0.1229</b>	<b>HK\$0.1332</b>

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2019: 90%) of available distributable income as the distributions for the six months ended 30 June 2020 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1229 for the six months ended 30 June 2020 is calculated based on the interim distribution to be paid of HK\$723,665,000 for the period and 5,888,833,523 units in issue as at 30 June 2020. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 25 September 2020, which is the record date set for such period. The interim distribution will be paid to unitholders on 9 October 2020.

The interim distribution per unit of HK\$0.1332 for the six months ended 30 June 2019 was calculated based on the interim distribution paid of HK\$782,031,000 for the period and 5,872,789,311 units as of 20 September 2019, which was the record date for the period. The interim distribution was paid to unitholders on 4 October 2019.

## 13. BASIC (LOSS) EARNINGS PER UNIT

The basic (loss) earnings per unit during the six months ended 30 June 2020 is calculated by dividing the loss for the period before distribution to unitholders of HK\$8,491,803,000 (2019: profit for the period before distribution to unitholders of HK\$3,186,527,000) by the weighted average number of units of 5,892,170,575 (2019: 5,860,193,423) in issue during the period, taking into account the units issuable as manager's fee for its service for each of the six months ended 30 June 2020 and 2019.

There were no diluted potential units in issue during the six months ended 30 June 2020 and 2019, therefore the diluted (loss) earnings per unit has not been presented.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 14. INVESTMENT PROPERTIES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>FAIR VALUE</b>		
At the beginning of the period/year	81,178,000	83,135,000
Additions during the period/year	–	37,379
Adjustment to cost accruals	(12,655)	–
Decrease in fair value	(9,172,565)	(1,994,379)
<b>At the end of the period/year</b>	<b>71,992,780</b>	<b>81,178,000</b>

The fair value of the Group's investment properties at 30 June 2020 and 31 December 2019 has been arrived at on the basis of valuation carried out by Colliers International (Hong Kong) Ltd., an independent qualified professional valuer not connected to the Group. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The capitalisation rates for the retail and office accommodation range from 4.00% to 4.35% (31 December 2019: 3.75% to 4.25%) and 3.70% to 4.10% (31 December 2019: 3.60% to 4.00%), respectively and negatively correlated to the fair value of the investment properties.

The fair value of the Group's investment properties as at 30 June 2020 and 31 December 2019 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety. Level 3 inputs are unobservable inputs for the asset or liability.

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

As at 30 June 2020, certain investment properties with total fair value of HK\$22,480,520,000 (31 December 2019: HK\$24,861,360,000) have been pledged as security for certain credit facilities as detailed in note 21.



## 15. NOTES RECEIVABLES

As at 30 June 2020, the Group held unsecured bonds with aggregate carrying amounts of HK\$251,547,000 (31 December 2019: HK\$215,093,000), which are denominated in United States dollar ("US\$") with nominal values ranging from US\$1,200,000 to US\$7,640,000 (31 December 2019: US\$1,200,000 to US\$7,640,000). The unsecured bonds bear interest at fixed interest rates ranging from 3.75% to 6.35% (31 December 2019: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (31 December 2019: February 2021 to May 2024).

As at 30 June 2020, HK\$99,412,000 (31 December 2019: Nil) and HK\$152,135,000 (31 December 2019: HK\$215,093,000) was included in current assets and non-currents assets respectively.

## 16. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Trade receivables	37,322	10,467
Deferred lease receivables	183,545	166,052
Deposits, prepayments and other receivables	81,466	82,845
	<b>302,333</b>	<b>259,364</b>

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

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
0 - 3 months	30,838	10,467
3 - 6 months	4,179	-
Over 6 months	2,305	-
	<b>37,322</b>	<b>10,467</b>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$30,838,000 (31 December 2019: HK\$10,467,000), HK\$4,179,000 (31 December 2019: Nil) and HK\$2,305,000 (31 December 2019: Nil) which are past due within three months, three to six months and over six months respectively at the reporting date for which the Group has not provided for impairment loss.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2020, the Group had listed equity securities held for trading with a carrying amount of HK\$31,993,000 (31 December 2019: Nil). All the listed equity securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets.

## 18. SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Bank balances	379,183	529,259
Short-term bank deposits with original maturity of less than three months	2,991,891	1,232,396
Cash and cash equivalents	3,371,074	1,761,655
Short-term bank deposits with original maturity of more than three months	610,028	200,000
	<b>3,981,102</b>	<b>1,961,655</b>

Short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
HK\$	1,663,866	1,936,343
USD	2,317,236	25,312
	<b>3,981,102</b>	<b>1,961,655</b>

Cash at bank carry interest at market rate of 0.001% to 0.30% (31 December 2019: 0.125% to 1.1%) per annum. Short-term bank deposits with original maturity of less than three months carry interest at market rates ranging from 0.45% to 1.58% (31 December 2019: 2.34% to 3.12%) per annum. Short-term bank deposits with original maturity of more than three months carry interest at market rates ranging from 0.92% to 1.05% (31 December 2019: 2.505%) per annum.

## 19. TRADE AND OTHER PAYABLES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Trade payables	128,733	101,835
Rental received in advance	33,635	50,077
Other payables and accruals (note (i))	292,043	278,418
Accrued stamp duty (note (ii))	963,475	963,475
	<b>1,417,886</b>	<b>1,393,805</b>

- (i) Included in the other payables and accruals is manager's fee payable with a carrying amount of HK\$143,320,000 (31 December 2019: HK\$146,163,000)
- (ii) The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2019: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road upon listing.

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
0 - 3 months	128,733	101,835

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>Derivative as assets</b>		
Designated as cash flow hedge (note i)		
– interest rate swaps	–	34,344
– cross currency swaps	25,572	26,663
	25,572	61,007
Designated as fair value hedge (note ii)		
– interest rate swap	–	3,419
	<b>25,572</b>	<b>64,426</b>
Analysed for reporting purpose:		
Current assets	–	<b>3,419</b>
Non-current assets	<b>25,572</b>	<b>61,007</b>
	<b>25,572</b>	<b>64,426</b>
<b>Derivative as liabilities</b>		
Designated as cash flow hedge (note i)		
– interest rate swaps	101,743	–
	<b>101,743</b>	–
Analysed for reporting purpose:		
Current liabilities	<b>34,577</b>	–
Non-current liabilities	<b>67,166</b>	–
	<b>101,743</b>	–

## 20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (i) Cash flow hedge

As at 30 June 2020, the Group entered into interest rate swap contracts of a total notional amount of HK\$6,350,000,000 (31 December 2019: HK\$4,950,000,000) to minimise its exposure to fluctuations in interest rates of its bank borrowings which bear interest at a floating rate of HIBOR plus 0.95% per annum. The critical terms of the interest rate swaps and the corresponding bank borrowings are identical and the Manager considered that the interest rate swap contracts were highly effective hedging instruments and qualified as cash flow hedges. As at 30 June 2020, the interest rate swap contracts carry a weighted average swap rate (before interest margin) of 1.42% (31 December 2019: 1.54%) per annum and a weighted average tenure of 2.4 years (31 December 2019: 2.4 years).

As at 30 June 2020, the Group entered into cross currency swap contracts of a total notional amount of US\$386,400,000 (31 December 2019: US\$386,400,000) to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of certain of its medium term notes denominated in US\$. The critical terms of the cross currency swaps and the corresponding medium term notes are identical and the Manager considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges. As at 30 June 2020 and 31 December 2019, the medium term notes with a total notional amount of US\$386,400,000 are hedged at a weighted average exchange rate of HK\$7.7595 to US\$1.00 and a fixed interest rate of 3.75% (31 December 2019: 3.75%) per annum. The cross currency swap contracts will be due in January 2023 (31 December 2019: January 2023).

During the six months ended 30 June 2020, the loss in change in fair values of the cross currency swaps and interest rate swaps under cash flow hedge amounting to HK\$131,125,000 (six months ended 30 June 2019: HK\$2,494,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$9,730,000 (six months ended 30 June 2019: HK\$4,483,000) 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.

### (ii) Fair value hedge

As at 31 December 2019, the Group had an interest rate swap contract of a notional amount of HK\$200,000,000 to convert the fixed rate under its medium term notes to a floating rate of 1-month HIBOR plus 0.67% per annum. The interest rate swap qualifying as fair value hedge had a maturity date in May 2020, the same maturity date as the corresponding medium term notes. The loss in change in fair values of the interest rate swap under fair value hedge for the six months ended 30 June 2019 amounted to HK\$265,000 had been recognised directly in the condensed consolidated income statement.

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

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 21. BANK BORROWINGS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Secured term loan	3,685,000	3,685,000
Unsecured term loan	5,163,635	4,963,635
Unsecured revolving loan	850,000	850,000
	9,698,635	9,498,635
Less: unamortised front-end fees	(62,124)	(57,572)
	<b>9,636,511</b>	<b>9,441,063</b>
The maturity of bank borrowings is as follows:		
<b>Shown under current liabilities:</b>		
Within 1 year	<b>4,521,923</b>	<b>843,510</b>
<b>Shown under non-current liabilities:</b>		
After 1 year but within 2 years	–	3,674,006
After 2 years but within 5 years	5,114,588	4,923,547
	<b>5,114,588</b>	<b>8,597,553</b>
	<b>9,636,511</b>	<b>9,441,063</b>

As at 30 June 2020, total committed loan facilities amounted to HK\$11,785,000,000 (31 December 2019: HK\$9,785,000,000), out of which HK\$9,698,635,000 (31 December 2019: HK\$9,498,635,000) were drawn and outstanding. The bank borrowings bear interest at a floating rate of HIBOR plus margins ranging from 0.938% to 0.95% per annum. The Group also entered into interest rate swaps, details of which are set out in note 20.

As security for the secured term loan granted to the Group, investment properties of the Group with an aggregate fair value of HK\$22,480,520,000 as at 30 June 2020 (31 December 2019: HK\$24,861,360,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged to the banks.

## 22. MEDIUM TERM NOTES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Medium term notes	7,663,149	5,552,670
Origination fees	(60,769)	(26,464)
	<b>7,602,380</b>	<b>5,526,206</b>
The maturity of medium term notes is as follows:		
<b>Shown under current liabilities:</b>		
Within 1 year	–	<b>199,929</b>
<b>Shown under non-current liabilities:</b>		
After 1 year but within 2 years	643,000	–
After 2 years but within 5 years	3,956,290	3,839,407
After 5 years	3,003,090	1,486,870
	<b>7,602,380</b>	<b>5,326,277</b>
	<b>7,602,380</b>	<b>5,526,206</b>

With effect from 12 May 2020, the programme limit under the Group's US\$1 billion guaranteed medium term note programme was increased to US\$2 billion.

The major terms of the issued medium term notes are set out below:

### As at 30 June 2020

Principal amount	Coupon rate (per annum)
US\$686,400,000	2.95% to 3.75%
HK\$643,000,000	3-month HIBOR plus 1.275%
HK\$1,700,000,000	2.75% to 4.00%

### As at 30 December 2019

Principal amount	Coupon rate (per annum)
US\$386,400,000	3.75%
HK\$643,000,000	3-month HIBOR plus 1.275%
HK\$1,900,000,000	2.75% to 4.00%

The Group also entered into interest rate swaps and cross currency swaps, details of which are set out in note 20.



# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 23. DEFERRED TAX LIABILITIES

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

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Tax losses HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 January 2019 (audited)	579,884	–	579,884
Charge (credit) to consolidated income statement during the year	41,890	(275)	41,615
As at 31 December 2019 (audited)	621,774	(275)	621,499
Charge (credit) to condensed consolidated income statement during the period	38,326	(1,049)	37,277
<b>As at 30 June 2020 (unaudited)</b>	<b>660,100</b>	<b>(1,324)</b>	<b>658,776</b>

## 24. NUMBER OF UNITS IN ISSUE

	<b>Number of units</b>	<b>Amount HK\$'000</b>
As at 1 January 2019 (audited)	5,847,092,804	24,414,939
Units issued for settlement of Manager's fee	25,696,507	149,471
As at 31 December 2019 (audited)	5,872,789,311	24,564,410
Units issued for settlement of Manager's fee	16,044,212	73,081
<b>As at 30 June 2020 (unaudited)</b>	<b>5,888,833,523</b>	<b>24,637,491</b>

On 4 March 2020, 16,044,212 units at HK\$4.5550 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2019 to 31 December 2019.

## 25. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2020 of HK\$55,570,540,000 (31 December 2019: HK\$64,834,322,000) by the number of units in issue of 5,888,833,523 units as at 30 June 2020 (31 December 2019: 5,872,789,311 units).

## 26. NET CURRENT LIABILITIES

At 30 June 2020, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$3,157,037,000 (31 December 2019: HK\$2,074,449,000).

## 27. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2020, the Group's total assets less current liabilities amounted to HK\$69,013,450,000 (31 December 2019: HK\$79,379,651,000).

## 28. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2020, 16,044,212 units (six months ended 30 June 2019: 11,410,795 units) were issued as payment for the Manager's fee for the period from 1 July 2019 to 31 December 2019, amounting to HK\$73,081,000 (six months ended 30 June 2019: HK\$73,714,000).

During the six months ended 30 June 2020, a tenant issued 8,078,927 of its shares at a prevailing market price of HK\$4.20 each as settlement of trade receivables with the same amount of HK\$33,931,000. The shares are classified as financial assets at fair value through profit or loss.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 29. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Rental income</b>			
Keyesen Property Management Services Limited (formerly known as The Great Eagle Properties Management Company, Limited)	(a)	4,317	4,023
Eagle Asset Management (CP) Limited	(a)	332	328
Eagle Property Management (CP) Limited	(a)	4,455	4,813
Best Come Limited	(a)	28,224	11,854
Ease Treasure Investment Limited	(a)	5,533	5,533
<b>Interest income</b>			
HSBC Group <sup>1,3</sup>	(b)	4,032	5,119
<b>Building management fee income</b>			
Keyesen Property Management Services Limited	(a)	464	464
Eagle Asset Management (CP) Limited	(a)	41	41
Eagle Property Management (CP) Limited	(a)	478	513
Best Come Limited	(a)	2,673	1,405
Ease Treasure Investment Limited	(a)	658	658
<b>Building management expenses and car park operating expenses</b>			
Keyesen Property Management Services Limited	(a)	135,348	135,822
Longworth Management Limited	(a)	26,643	26,643
<b>Property and lease management service fee</b>			
Eagle Property Management (CP) Limited	(a)	38,999	41,806
<b>Rental commission</b>			
Eagle Property Management (CP) Limited	(a)	9,115	27,309
Colliers International Agency Limited <sup>3</sup>	(c)	9,121	–
<b>Promotion expenses</b>			
Eagle Property Management (CP) Limited	(a)	(11)	–
<b>Property miscellaneous expenses</b>			
GE (LHIL) Lessee Limited	(a)	83	8
Clever Gain Investment Limited	(a)	–	164

## 29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Repairs and maintenance fee</b>			
Selex Engineering Services Limited (formerly known as <i>The Great Eagle Engineering Company Limited</i> )	(a)	993	681
Keysen Engineering Company, Limited	(a)	383	466
Keysen Property Management Services Limited	(a)	1	3
<b>Renovations contracted to</b>			
Selex Engineering Services Limited	(a)	476	581
Keysen Engineering Company, Limited	(a)	5,957	451
Keysen Property Management Services Limited	(a)	1	3
<b>Trustee's fee and other expenses</b>			
HSBC Institutional Trust Services (Asia) Limited <sup>3</sup>	(b)	6,686	7,324
HSBC Group <sup>1,3</sup>	(b)	85	79
Clever Gain Investment Limited	(a)	–	16
<b>Manager's fee</b>			
Eagle Asset Management (CP) Limited	(a) & (d)	143,320	151,514
<b>Finance costs</b>			
Hang Seng Bank Limited <sup>3</sup>	(b)	53,913	138,266
HSBC <sup>3</sup>	(b)	(185)	(3,166)
<b>Valuation fee</b>			
Colliers International (Hong Kong) Limited <sup>3</sup>	(c)	72	88

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>Amount due from (included in trade and other receivables)</b>			
Keysen Property Management Services Limited	(a) & (e)	<b>40,970</b>	40,970
Longworth Management Limited	(a) & (e)	<b>15,311</b>	15,311
<b>Amount due to (included in trade and other payables)</b>			
Eagle Property Management (CP) Limited	(a) & (e)	<b>18,641</b>	18,875
Eagle Asset Management (CP) Limited	(a) & (e)	<b>143,320</b>	146,287
Selex Engineering Services Limited	(a) & (e)	<b>2,423</b>	1,247
Keysen Property Management Services Limited	(a) & (e)	<b>9,746</b>	7,035
Keysen Engineering Company, Limited	(a) & (e)	<b>1,197</b>	1,007
Toptech Co. Limited	(a) & (e)	<b>546</b>	519
GE (LHIL) Lessee Limited	(a) & (e)	<b>–</b>	21
<b>Deposits placed with the Group for the lease of the Group's properties</b>			
Eagle Property Management (CP) Limited	(a) & (f)	<b>1,941</b>	1,414
Keysen Property Management Services Limited	(a)	<b>2,103</b>	2,103
Best Come Limited	(a)	<b>8,326</b>	8,326
Eagle Asset Management (CP) Limited	(a)	<b>117</b>	117
Ease Treasure Investment Limited	(a)	<b>1,661</b>	1,661

## 29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) These companies are subsidiaries directly or indirectly held by Great Eagle Holdings Limited, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates<sup>2</sup> of the Trustee.
- (c) This company is the principal valuer of Champion REIT or its associates<sup>2</sup>.
- (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 2020 and 30 June 2019.
- (e) The amounts due from and due to connected and related parties included in other receivables and other payables, respectively, are unsecured, interest-free and repayable on demand.
- (f) A bank guarantee of HK\$1,247,000 (31 December 2019: HK\$1,247,000) was received in lieu of deposit.

<sup>1</sup> HSBC Group means HSBC and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.

<sup>2</sup> As defined in the REIT Code.

<sup>3</sup> Connected party transactions as defined in the REIT Code.

## 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)		
Listed equity securities classified as financial assets at fair value through profit or loss	31,993	–	Level 1	Quoted market bid prices in an active market.
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	25,572	26,663	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	(101,743)	37,763	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.

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

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

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



# Investment Properties Portfolio

As at 30 June 2020

Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Three Garden Road	3 Garden Road, Central, Hong Kong	1992	1,638,000	1,268,000	Office: 90.2% Retail: 100.0%	43,867.8
Langham Place Office Tower	8 Arygle Street, Mong Kok, Kowloon, Hong Kong	2004	703,000	703,000	97.8%	9,576.0
Langham Place Mall	8 Arygle Street, Mong Kok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	18,549.0

# Performance Table

	2020 (unaudited)	2019 (unaudited)	2018 (unaudited)	2017 (unaudited)	2016 (unaudited)
<b>As at 30 June:</b>					
Net asset value (HK\$'000)	<b>55,570,540</b>	69,241,127	64,455,513	54,420,433	49,848,955
Net asset value per unit (HK\$)	<b>9.44</b>	11.82	11.05	9.36	8.62
The highest traded price during the period (HK\$)	<b>5.11</b>	6.89	5.86	5.29	4.38
The highest premium of the traded price to net asset value <sup>1</sup>	<b>N/A</b>	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	<b>3.51</b>	5.34	5.19	4.18	3.35
The highest discount of the traded price to net asset value	<b>62.8%</b>	54.8%	53.0%	55.3%	61.1%
<b>For the six months ended 30 June:</b>					
Distribution yield per unit <sup>2</sup>	<b>3.1%</b>	2.1%	2.4%	2.4%	2.5%
Annualised distribution yield per unit	<b>6.4%</b>	4.3%	5.1%	5.0%	5.3%
Net loss/profit yield per unit <sup>3</sup>	<b>-35.8%</b>	8.4%	15.5%	15.9%	7.4%
Annualised net loss/profit yield per unit	<b>-71.6%</b>	16.7%	31.1%	31.9%	14.9%

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\$0.1229 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2020 over the traded price of HK\$4.03 as at 30 June 2020.
3. Net loss/profit yield per unit is calculated based on loss/profit for the period before distribution to unitholders per unit for the six months ended 30 June 2020 over the traded price of HK\$4.03 as at 30 June 2020.

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