

ChampionREIT

冠君產業信託

Champion Real Estate Investment Trust (stock code: 2778) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

2020

ANNUAL REPORT

Resilience
Commitment
Perseverance





Trust Profile

Champion REIT is a real estate investment 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 Victoria Harbour.

Trust Objectives

Champion REIT's key objective is to provide investors with stable and sustainable distributions, achieving long-term capital growth. This aim of delivering 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.

Contents

Review	2	Timeline of Significant Events	Reports	44	Valuation Report
	3	Five Year Financial Summary		76	Trustee's Report
	4	Chairman's Statement		77	Corporate Governance Report
	6	CEO's Review		110	Connected Party Transactions Report
	10	Awards and Achievements		119	Disclosure of Interests
Management	12	Board of Directors	Financials	126	Independent Auditor's Report
	17	Senior Management		131	Financial Statements
	21	Management Philosophy		191	Major Real Estate Agents and Contractors
	22	Financial Review		192	Performance Table
	26	Sustainable Development			
Portfolio	30	Property Portfolio At-a-glance			
	32	Three Garden Road			
	36	Langham Place			

Corporate Information

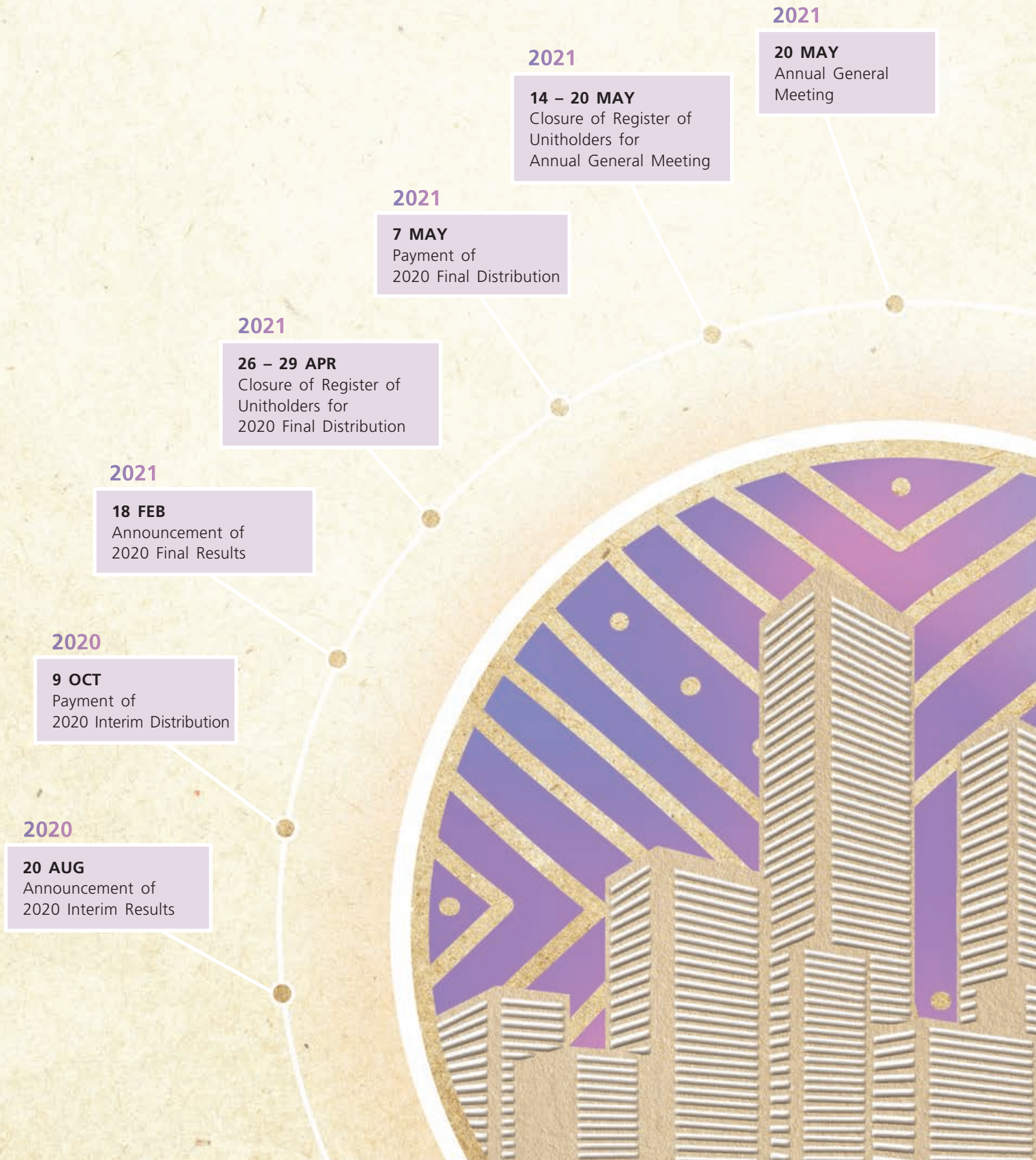
Resilience Commitment Perseverance

This design is conceptually inspired by natural ecology, representing the Trust's approach to upholding resilience and perseverance by balancing business development and corporate responsibility during these challenging times.

The cover design is based on Art Deco concept with a robust modern style, and the use of geometric elements and strong colour contrast, implying the Trust's perseverance in seeking collaboration and growth opportunities amidst the turbulent business environment. The tree motif is also a prominent feature integrated into the design. It carries the message of thriving and growing, as well as continuous contribution to the natural environment over the years. This message echoes the Trust's commitment to embracing sustainable development and pursuing long-term capital growth, hence achieving a win-win situation together with stakeholders.



Timeline of Significant Events



Five Year Financial Summary

For the year ended 31 December

2016	2017	2018	2019	2020	Profit (HK\$ Million)
\$2,299	\$2,431	\$2,677	\$2,778	\$2,633	Total Rental Income
(\$272)	(\$265)	(\$272)	(\$298)	(\$286)	Net Property Operating Expenses
\$2,027	\$2,166	\$2,405	\$2,481	\$2,347	Net Property Income
2016	2017	2018	2019	2020	Distributions (HK\$)
\$1,408	\$1,487	\$1,611	\$1,648	\$1,554	Distributable Income (million)
\$1,331	\$1,413	\$1,530	\$1,566	\$1,476	Distribution Amount (million)
\$0.2292	\$0.2424	\$0.2614	\$0.2662	\$0.2500	Distribution per Unit
2016	2017	2018	2019	2020	Valuation (HK\$)
\$66,842	\$76,704	\$83,135	\$81,178	\$67,318	Gross Value of Portfolio (million)
\$8.72	\$10.36	\$11.42	\$11.04	\$8.61	Net Asset Value per Unit
2016	2017	2018	2019	2020	Financial Ratios
11.8%	10.9%	10.2%	10.7%	10.9%	Net Expense Ratio
94.5%	95.0%	95.0%	95.0%	95.0%	Payout Ratio
21.7%	18.9%	17.6%	18.0%	23.0%	Gearing Ratio
2016	2017	2018	2019	2020	Operational Statistics
95.9%	94.2%	99.1%	93.0%	86.8%	Three Garden Road Office Occupancy
\$78.2	\$92.5	\$98.6	\$107.8	\$110.4	...and Passing Rent (HK\$ psf)
100.0%	97.1%	100.0%	97.7%	88.7%	Langham Place Office Occupancy
\$39.7	\$40.8	\$42.7	\$46.5	\$47.7	...and Passing Rent (HK\$ psf)
100.0%	100.0%	100.0%	100.0%	100.0%	Langham Place Mall Occupancy
\$228.4	\$240.0	\$259.1	\$209.5	\$179.3	...and Passing Rent (HK\$ psf)

Chairman's Statement



“ We will continue to work closely with tenants and stakeholders in collaboration for the sustainable development of the Trust. ”

Dr LO Ka Shui
Chairman

The unprecedented and protracted COVID-19 pandemic had put our business as well as that of our tenants in a precarious situation. The ongoing Sino-US tensions also added uncertainties to the market. While the containment measures introduced by the government including social distancing measures and border controls have adversely impacted the retail sector in Hong Kong, the office market was also dampened by the economic slowdown and a shift to working from home. In adapting to the new normal, we have reacted promptly by utilising technology to facilitate day-to-day operations. Against the backdrop of a global economic downturn, distributable income of the Trust declined 5.7% to HK\$1,554 million (2019: HK\$1,648 million) and distribution per unit (“DPU”) dropped 6.1% to HK\$0.2500 (2019: HK\$0.2662).

With the multiple waves of COVID-19 in Hong Kong and

the poor retail market sentiment, retail sales of Langham Place Mall’s tenants fell significantly, dragging down the rental income of the mall. While the rental income of the office portfolio was relatively stable, it was insufficient to compensate for the weak performance of Langham Place Mall. Total rental income of the Trust dropped 5.2% to HK\$2,633 million (2019: HK\$2,778 million). Net property operating expenses decreased 3.8% to HK\$286 million (2019: HK\$298 million) mainly due to lower rental commission. Net property income decreased by 5.4% to HK\$2,347 million (2019: HK\$2,481 million).

The Trust continued to take a proactive approach in liability management to weather market uncertainties. Taking advantage of the historically low interest rates, the Trust issued US\$300 million 10-year medium term notes (“MTN”) and entered into several credit facilities for a total of HK\$2.3 billion to enhance financial flexibility.

Proceeds from the MTN issuance and credit facilities were sufficient for the refinancing of banking facilities due in 2021. For treasury management, the Trust utilised idle cash in bond investments for yield enhancement. Following the MTN's issuance and additional interest rate swaps, the fixed rate debt portion of the Trust increased to 81.0% from 64.2% at the end of 2019. Cash finance cost decreased to HK\$445 million (2019: HK\$452 million) mainly due to lower average HIBOR.

The sluggish market environment also negatively affected the valuation of the properties portfolio. The appraised value of the Trust's properties was HK\$67.3 billion as at 31 December 2020, 17.1% lower than HK\$81.2 billion as at 31 December 2019. The decline was mainly attributable to lower rental rate assumptions and marginal expansion of capitalisation rates. Net asset value per unit decreased to HK\$8.61 as at 31 December 2020 (2019: HK\$11.04). Gearing ratio increased to 23.0% as at 31 December 2020 from 18.0% as at 31 December 2019.

Outlook

We remain cautious on the outlook of our business for 2021. Although the availability of COVID-19 vaccines gives hope for people's daily lives and economic activities to return to normal, the process is likely lengthy. The real estate industry could potentially be disrupted in the post-pandemic era because of behavioural changes, such as work-from-home policy. Issues on various fronts – namely social distancing measures, Sino-US trade under a new US president, pending resumption of global travel and local unemployment – will all have a bearing on the office rental and retail markets.

In the coming year, we will endeavour to maintain occupancy for all the properties in the portfolio. We will also continue to adopt flexible leasing strategies such as short-term leases to retain existing tenants and attract new tenants. We will continue to be vigilant of the downside risks in both the retail and office properties due to fragile consumer sentiment and tepid rental demand.

While remote working has become prevalent, there is also an emerging "flight-to-quality" trend for office space. It is expected to fuel demand for state-of-the-art and well-designed office space. Central will remain a choice location. However, in the short-term, a rebound in demand for office space in Central remains unlikely. In view of the office space available in the Central market,

including surrendered areas, we will remain flexible in our leasing strategies for Three Garden Road and continue to provide virtual tours for marketing purposes.

For Langham Place Office, new office buildings in Kowloon East are offering alternatives for tenants who are less location-sensitive. As lifestyle tenants are keen to have a presence in prime locations, we will further enhance our positioning of the property as a lifestyle landmark for risk diversification. Since most lifestyle tenants were impacted by the closure ordered by the government amid COVID-19, it will take some time for the rental demand from the beauty and healthcare sectors to recover. But in the medium to long-run, the growing awareness in health should benefit these segments.

The implementation of COVID-19 vaccination campaigns around the world is expected to bring back global travel activities gradually. Nevertheless, border controls and quarantine measures will likely be in place for the time being. As such, retail sales of tourist-oriented categories would continue to underperform. The overall rental income in 2021 is expected to stay in a downward trend. As sales of tenants are still substantially below pre-COVID level, the turnover rent portion is still under pressure. And tenancies with base-rent portion are expected to record negative rental reversions. We will continue to enhance our digital presence and come up with sales-driven promotions to boost footfall and sales. We will also explore tenants mix rebranding opportunities in the meantime so as to create new shopping experience for our patrons.

Amid the dicey market environment, the Trust has sufficient credit facilities and cash on hand to refinance the bank loans due in 2021. In the coming year, we will explore sustainability financing to further enhance the Trust's financial flexibility. We will also continue to enhance treasury management to generate better return and income. Furthermore, we will take a prudent approach in identifying diversification opportunities globally for external growth for the Trust.

The overall operating environment of our business will remain very difficult in 2021. While there are downside risks in rental income of our properties portfolio and the DPU, we will continue to work closely with tenants and stakeholders in collaboration for the sustainable development of the Trust.

LO Ka Shui
Chairman

CEO's Review



“We forged ahead to create positive solutions in partnership with our tenants.”

Ms WONG Ka Ki, Ada
Chief Executive Officer

Three Garden Road

The Grade A office market in Central was shrouded in uncertainties in 2020. On-site inspection activities were limited owing to social distancing practices. Occupiers were generally cost-cautious, taking a prudent approach in their corporate real estate planning. Diminished office leasing activities were observed due to downsizing and cost-cutting efforts. Remote working also prompts occupiers to reconsider their real estate strategies, putting leasing decisions on hold. The overall vacancy level of the Grade A offices in Central as well as that of Three Garden Road edged up under the cautious market sentiment. Occupancy of the property fell to 86.8% as at 31 December 2020 from 93.0% as at 31 December 2019.

Despite the lower average occupancy, rental income of Three Garden Road maintained at the stable level of HK\$1,518 million (2019: HK\$1,512 million). The previous gap between the average passing rent of the property and the market rent provided us sufficient buffer to achieve a mild positive rental reversion amid the battered market environment. Average passing rent increased to HK\$110.4 per sq. ft. (based on lettable area) as at 31 December 2020 (2019: HK\$107.8 per sq. ft.).

Net property income declined slightly by 0.4% to HK\$1,369 million (2019: HK\$1,375 million), owing to the increase of 8.5% in net property operating expenses. The net building management expenses increased HK\$7

million pushed up by higher vacancy, while the government rent and rates also rose HK\$18 million. Although the rental commission decreased HK\$12 million which helped to offset the costs, the net property operating expenses climbed by 8.5% to HK\$149 million (2019: HK\$137 million) on the whole.

Langham Place Office Tower

The various social distancing measures brought in place in 2020 led to the suspension of business of our lifestyle tenants, including a fitness centre and beauty centres for a total of over three months. As at 31 December 2020, lifestyle tenants accounted for 62% of the property. Their business performances were inevitably impacted as a result.

To reduce the short-term liquidity and business interruptions of the tenants, we have worked closely with the tenants to address their concerns. We purchased vouchers from lifestyle tenants and resold at discounted price to our customers in order to boost sales for their business. For our anchor tenant Union Medical Healthcare Limited ("UMH", stock code: 2138), we arranged an innovative rental settlement under which we received

listed shares of UMH in lieu of cash for a total of eight-month rental payment.

Since Langham Place Office Tower's passing rent is higher than those of the surrounding traditional offices, a key office tenant left, causing the occupancy rate to slip to 88.7%. However, the testing business environment for the lifestyle segment did not stop existing tenants from capitalising on the market downturn to expand their business.

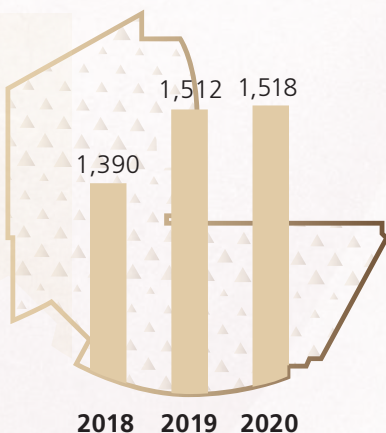
Despite the challenging business environment, total rental income of Langham Place Office remained stable at HK\$378 million in 2020 (2019: HK\$375 million). While market rents have been softening, passing rent of the property slightly increased to HK\$47.7 per sq. ft. (based on gross floor area) as at 31 December 2020 (2019: HK\$46.5 per sq. ft) as the rental level of the departed tenants was lower than the passing rent.

Net property operating expenses lowered to HK\$32 million (2019: HK\$33 million). The higher net building management expenses were offset by lower rental commission, and repairs and maintenance expenses. Net property income improved slightly to HK\$346 million (2019: HK\$342 million).

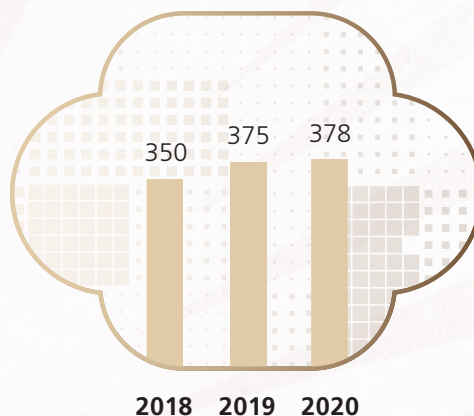
Rental Income

(HK\$ million)

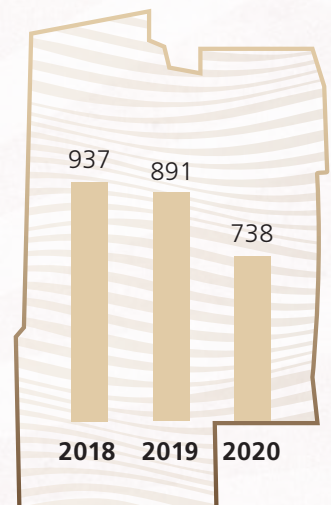
Three Garden Road



Langham Place Office Tower



Langham Place Mall



CEO's Review

Langham Place Mall

Of the Trust's portfolio, Langham Place Mall was the most adversely impacted property in 2020. The various social distancing measures imposed by the government, including capacity restrictions and limitation of operation hours of food and beverage establishments, as well as border controls and quarantine requirements, have kept tourists and shoppers away. Although the intermittent relaxation of measures during various waves of the local outbreaks provided some temporary relief, the overall footfall of the mall decreased significantly. Hong Kong retail sales plunged 24.3% year on year, while the sales of the mall's tenants saw a greater drop than the market average mainly due to an absence of tourists.

The operating environment was extremely shaky for the Hong Kong retail market in 2020. Almost all the tenants of the mall requested rental concessions and lease restructuring. In the first half, we offered rental concessions after deliberate evaluations of the requests. The amount of the amortised concessions recognised in 2020 did not materially impact the rental income of the mall. As Hong Kong was hit by recurring outbreaks, the mall stepped up to offer discounted cash vouchers through an online e-shop platform for over 80 mall and office tenants in a bid to drive sales.

Given the significant drop in tenants sales, total rental income of the mall recorded a 17.3% decline to HK\$738 million (2019: HK\$891 million), the biggest decrease since the opening of the mall. We have strived to keep up the occupancy level amid the challenging environment, and the mall remained fully occupied as at 31 December 2020. The volatile operating environment has resulted in an increase in the number of short-term leases and lease restructuring. The proportion of tenants paying turnover rent only increased to 14.9% of area as at 31 December 2020 (6.9% as at 30 June 2020). The substantial decline in sales drove down turnover rent portion to HK\$19 million (2019: HK\$114 million). The average passing rents dropped to HK\$179.3 per sq. ft. (based on lettable area) as at 31 December 2020 (2019: HK\$209.5 per sq. ft.).

Although spending in promotions to shore up sales and footfall of the mall increased by HK\$3 million, net property operating expenses decreased by 16.7% to HK\$106 million (2019: HK\$127 million) mainly due to lower net building management expenses and rental

commission. Net property income fell 17.3% to HK\$632 million (2019: HK\$764 million).

Sustainability

At Champion REIT, we believe that embracing sustainability whole-heartedly is an integral part of our corporate culture and business direction. It is a key differentiator that allows us to have a competitive advantage over others, and in achieving outstanding financial performance in the long-term.

This year, we will issue our first standalone Sustainability Report to disclose our environmental, social and governance ("ESG") performance progress and enhance our existing information disclosure practices. We also renewed our commitment to sustainability in line with our 2030 ESG goals launched in 2019.

In the sector of real estate, we must uphold sustainability principles, especially regarding energy consumption and emission reduction. Amid the COVID-19 pandemic, we nonetheless forged ahead to create positive solutions in partnership with our tenants. We reaffirmed our perseverance in maintaining the sustainable practices, which is particularly crucial as we are faced with a virus that has affected many aspects of life. One of our sustainability goals is to transform our properties into wellness-oriented spaces, a task we vow to pursue in 2021 and beyond.

We take it to heart to encourage all our employees to work together with the Trust to achieve the utmost sustainability impacts. This will enable us to both mitigate business risks and identify growth opportunities. Despite the relatively small size of our team, we are dedicated to creating a ripple effect with an aim to influence our stakeholders positively.

Moving forward, we are excited to follow the roadmap we have developed to fight climate change, together with our much-valued stakeholders. As we press on, we will be proactive in continuously refining our strategies for the overall welfare of the Trust and the greater community.

WONG Ka Ki, Ada
Chief Executive Officer

Three Garden Road	2020 HK\$'000	2019 HK\$'000	Change
Rental Income	1,518,047	1,511,663	+0.4%
Net Property Operating Expenses	148,833	137,119	+8.5%
Net Property Income	1,369,214	1,374,544	-0.4%

Langham Place Office Tower			
Rental Income	377,604	375,067	+0.7%
Net Property Operating Expenses	31,513	33,332	-5.5%
Net Property Income	346,091	341,735	+1.3%

Langham Place Mall			
Rental Income	737,606	891,412	-17.3%
Net Property Operating Expenses	105,808	127,049	-16.7%
Net Property Income	631,798	764,363	-17.3%

Awards and Achievements

Champion REIT has devoted to pursuing business excellence and sustainable development. The Trust received several of the highest accolades from prestigious professional associations this year, including FinanceAsia and The Asset. The Trust is one of the two real estate companies in Asia Pacific to have achieved the highest JADE award of The Asset ESG Corporate Awards.

Champion REIT

Sustainability and Corporate Governance

The Asset (ESG Corporate Awards)

JADE Award (Top Honour)
Best CEO

Bloomberg Businessweek

ESG Leading Enterprises Award
Leading Environmental Initiative Award

FinanceAsia (Asia's Best Companies)

Best CEO
Best Environmental Stewardship
Most Committed to Social Causes
Best Managed Company
Best Investor Relations

Corporate Governance Asia (Asian Excellence Awards)

Asia's Best CEO
Asia's Best CSR
Best Investor Relations Company
Best Investor Relations Professional

Marketing Magazine (PR Awards)

Best PR Campaign (Sustainability): Champion Our Wellness – Bronze Award

Corporate

The Asset (Triple A Country Awards)

Best Corporate Bond Award (Hong Kong)

Hong Kong Investor Relations Association (Investor Relations Awards)

Best IR Company
Best IR by CEO
Best Investor Meeting
Best Investor Presentation Material
Best Annual Report
My Favorite Listed Company

Hong Kong Economic Journal

Listed Company Award of Excellence

The Hong Kong Institute of Financial Analysts and Professional Commentators Limited

Outstanding Listed Companies Award

CORPHUB (Hong Kong's Most Outstanding Business Awards)

Leading Real Estate Investment Trust (REIT) of the Year

Annual Report

Hong Kong Management Association

Best Annual Report Awards: Excellence Award for Small Size Entries

MerComm. Inc. (International ARC Awards)

Traditional Annual Report – Silver Award
Interior Design – Bronze Award

The International Annual Report Design Awards

Integrated Presentation – Silver Award
Cover Design – Silver Award
Illustrations – Silver Award



Three Garden Road

Building Certification

International WELL Building Institute
WELL Building Standard: Platinum (Top Honour)

Environment

Business Intelligence Group
Big Innovation Awards (IoT Energy Saving Project)

Environmental Protection Department
Indoor Air Quality Certificate: Excellent Class

Environmental Campaign Committee
IAQwi\$e Certificate: Excellence Level

Environmental Campaign Committee
Energywi\$e Certificate: Excellence Level

Environmental Campaign Committee
Wastewi\$e Certificate: Excellence Level

Environmental Campaign Committee
Hong Kong Green Organisation

Electrical & Mechanical Services Department
(Energy Saving Championship Scheme)
RCx Technical Approach Merit

Water Supplies Department
Quality Water Supply Scheme Fresh Water
(Management System): Gold

Safety

Hong Kong Quality Assurance Agency (HKQAA)
Certificate of Hygiene Measures for Cov-prevention

HK Island Regional Crime Prevention Office
Outstanding Security Services (Industrial/Commercial
Property Award)

Vocational Training Council
Security Services Best Training Award: Gold

Community

The Hong Kong Council of Social Service
Caring Company (Five Years Plus)

Langham Place

Building Certification

Hong Kong Green Building Council
BEAM Plus Existing Building V2.0 Comprehensive
Scheme: Platinum (Top Honour)

Environment

Environmental Protection Department
Indoor Air Quality Certificate: Excellent Class

Environmental Campaign Committee
IAQwi\$e Certificate: Excellence Level

Environmental Campaign Committee
Hong Kong Green Organisation

Electrical & Mechanical Services Department
Outstanding Building Energy Efficiency Performance
(Existing Building)

Environment Bureau
Charter on External Lighting: Platinum Award

Water Supplies Department
Quality Water Supply Scheme Fresh Water
(Management System): Gold

Safety

Hong Kong Quality Assurance Agency (HKQAA)
Certificate of Hygiene Measures for Cov-prevention

Kowloon West Regional Crime Prevention Office
Honorable Managed Property Award

Vocational Training Council
Security Services Best Training Award: Gold

Community

The Hong Kong Council of Social Service
Caring Company (10 Years Plus)



Board of Directors

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



Dr LO Ka Shui

Chairman and Non-executive Director

aged 74, was appointed as 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 and the Chairman of Finance and Strategic Planning 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 (listed in Hong Kong), and the Chairman and Non-executive Director of LHIL Manager Limited (Trustee-Manager of Langham Hospitality Investments) and Langham Hospitality

Investments Limited (listed in Hong Kong). 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 four decades of experience in property and hotel development and investment both in Hong Kong and overseas.



Ms WONG Ka Ki, Ada

Chief Executive Officer and Executive Director

aged 40, has been the Chief Executive Officer and an Executive Director of the REIT Manager since 2016. She is the Chairman of Disclosures Committee and a member of Finance and Strategic Planning Committee of the REIT Manager. 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-raising and strategic M&A transactions.

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

Board of Directors



Mr IP Yuk Keung, Albert
Non-executive Director

aged 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, New World Development Company Limited and Hutchison Telecommunications Hong Kong Holdings Limited (all the companies mentioned above are listed in Hong Kong). During the past three years, Mr Ip was an Executive Director and Chief Executive Officer of LHIL Manager Limited (Trustee-Manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited (listed in Hong Kong) and an Independent Non-executive Director of Hopewell Highway

Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited), Hopewell Holdings Limited and TOM Group Limited (all the companies mentioned above are listed in Hong Kong).

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, an Adjunct Distinguished Professor in Practice at University of Macau, a trustee of the Board of Trustees at Washington University in St. Louis and an honorary fellow of Vocational Training Council. He is the chairman of the Board of Governors of 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), a Master of Science degree in Applied Mathematics at Cornell University and a Master of Science degree in Accounting and Finance at Carnegie-Mellon University.



Ms WONG Mei Ling, Marina

Non-executive Director

aged 54, was appointed as a Non-executive Director of the REIT Manager in October 2020. She is also a member of Finance and Strategic Planning Committee of the REIT Manager. Ms Wong has been the officer in charge of the corporate secretary of the REIT Manager since July 2008 principally responsible for the governance, compliance and corporate secretarial matters of the REIT Manager. Prior to that, she was a senior management of a red chip listed company in Hong Kong and served as the Company Secretary and a member of the Investment Appraisal Committee. Ms Wong currently is the Company Secretary of Great Eagle Holdings Limited, and LHIL Manager Limited (Trustee-Manager of the publicly listed Langham Hospitality

Investments) and Langham Hospitality Investments Limited. With over 30 years solid working experience, her expertise lies in the development of governance and compliance policies and corporate secretarial and administration.

Ms Wong is a Fellow both of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries. Ms Wong received her Master Degree in Laws from The Chinese University of Hong Kong, her Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and her Bachelor Degree in Accountancy from City University of Hong Kong.



Mr CHENG Wai Chee, Christopher

Independent Non-executive Director

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 companies are listed in Hong Kong). He is also an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr Cheng plays an active role in public service. He is a member of the board of overseers at Columbia Business

School, a member of the President's Council on International Activities of Yale University and the former Chairman of the Hong Kong General Chamber of Commerce.

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

Board of Directors



Mr HO Shut Kan

Independent Non-executive Director

aged 72, has been a Director of the REIT Manager since 2007. He is 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 40 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 (listed in Hong Kong) and a Director of Shang Properties, Inc. (listed in Philippine).

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



Mr SHEK Lai Him, Abraham

Independent Non-executive Director

aged 75, was appointed as an Independent Non-executive Director in 2006. He is the Chairman of Audit Committee and a member of both the 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, the Vice Chairman and an Executive Director of Goldin Financial Holdings 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, Everbright Grand China Assets Limited, CSI Properties Limited, Far East Consortium International Limited, Landing International Development Limited and Hao Tian International Construction Investment Group Limited (all the companies mentioned above are listed in Hong Kong). He is also an Independent Non-executive Director of Regal Portfolio Management Limited as the manager of Regal REIT (listed in Hong Kong). 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 Hop Hing Group Holdings Limited and MTR Corporation Limited (both companies are listed in Hong Kong). He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

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

Senior Management

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

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



Ms WONG Ka Ki, Ada

Chief Executive Officer

aged 40, Chief Executive Officer, Responsible Officer and Manager-In-Charge of overall management oversight and key business line functions as defined under the Securities and Futures Ordinance, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations and oversees the day-to-day operations. Additionally, as Chief Investment Officer, she is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. She is also responsible for the capital structure of Champion REIT, including the planning and overseeing of capital raising activities from the market.

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

Senior Management



Ms LUK Ka Ping, Amy

Investment and Investor Relations Director

aged 48, is responsible for identifying and evaluating potential investment opportunities, overseeing the capital structure and investor relations of Champion REIT. She has over 15 years of experience in the financial industry. Before joining the REIT Manager, Ms Luk has been involved in equity research covering the Hong Kong real estate sector for over 10 years at various international financial institutions, making recommendations on equity investments.

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



Mr LEUNG Kin Shan

Business Development Director

aged 36, is responsible for identifying and evaluating potential business development opportunities in line with the strategy of Champion REIT and the Trust's finance function. He is also the Manager-In-Charge of finance and accounting function as defined under the Securities and Futures Ordinance. He has over 10 years of experience in the finance industry. Prior to joining the REIT Manager, Mr Leung worked at Standard Chartered and Citigroup's investment banking division in originating and executing capital markets and M&A transactions for clients across Asia.

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



Ms SUNG Kar Wai, Rosana

Finance Director

aged 46, Manager-In-Charge of finance and accounting function as defined under the Securities and Futures Ordinance, is responsible for the financial reporting of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. Ms Sung is also a Director of all special purpose vehicles of Champion REIT. With more than 20 years of accounting and audit experience, Ms Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

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



Ms LAU Yee Tong, Yvonne

Chief Operating Officer – Asset Management

aged 54, Responsible Officer and Manager-In-Charge of operational control and review function as defined under the Securities and Futures Ordinance, is responsible for overseeing the management of Champion REIT's properties and formulating the business plans of Champion REIT's properties and overseeing the property management team with a view to maximising rental income via active asset management. She has over 20 years of solid and all-rounded experience in leasing and asset management of commercial properties in Hong Kong and China. Before joining the REIT Manager, Ms Lau was the Director of Asset Management for ARA Management Pte Ltd. She has also worked at other major property developers in Hong Kong such as Hysan, Sun Hung Kai and Wharf.

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



Mr KWONG Chi Kwong

Chief Operating Officer – Risk Management

aged 61, Responsible Officer and Manager-In-Charge of anti-money laundering and counter-terrorist financing function as defined under the Securities and Futures Ordinance, is responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the operation level for Champion REIT. Mr Kwong is also responsible for maintaining an effective risk management system for identification, evaluation, prioritising and recording as well as communication of risks within the REIT Manager and Champion REIT as well as its key service providers in accordance with the risk management policy. Mr Kwong has more than 25 years of experience in the real estate industry.

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



Mr YUEN Chi Hang, Tony

Senior Internal Audit Manager

aged 46, Manager-In-Charge of operational control and review, and risk management functions as defined under the Securities and Futures Ordinance, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures the risk management and internal control systems of the REIT Manager function properly and provides internal audit reports to the Audit Committee of the Board of Directors on a regular basis. Prior to joining the REIT Manager, Mr Yuen worked as an internal auditor at a well recognised listed property company and has over 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

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

Senior Management



Mr YAU Kai Hung, Wilson

Senior IT Project Manager

aged 39, Manager-In-Charge of information technology function as defined under the Securities and Futures Ordinance, is responsible for the design, development and operation of the IT systems of Champion REIT. Prior to joining the REIT Manager, Mr Yau worked for Fortune 500 and well recognised multi national companies with over 15 years of IT experience.

Mr Yau holds Master of Business from The University of Newcastle (Australia); Master of Science in Managerial Leadership from Edinburgh Napier University (UK) and Bachelor of Software Engineering from the University of Hong Kong. He is also a Fellow Certified Risk Planner, Project Management Professional, Agile Project Management Practitioner and Certified Big Data Science Professional.



Mr NG Cheuk Hei, Terrance

Compliance Manager

aged 37, Manager-In-Charge of compliance, anti-money laundering and counter-terrorist financing functions as defined under the Securities and Futures Ordinance, is responsible for setting the internal policies and procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Mr Ng is also responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the trust administrative level and operation level for Champion REIT. Mr Ng has over 10 years' working experiences and gained legal, compliance and finance experience from various companies including international financial institutions, listed company and law firms. Prior to joining the REIT Manager, Mr Ng performed legal duties in a well recognised listed construction, property development group.

Mr Ng graduated from City University of Hong Kong, with a Bachelor of Social Sciences (Honours) in Policy Studies and Administration, a Juris Doctor (with Credit) and a Postgraduate Certificate in Laws. He is also a Solicitor of the Hong Kong Special Administrative Region and a member of the Law Society of Hong Kong.

Management Philosophy

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

Asset Management Strategy

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



Sustainability Focus

Build a strong corporate culture based on sustainability, and incorporate sustainability and climate change considerations into all decision-making processes. Such a culture will create sustainable business growth and long-term values for stakeholders.

Maximise Rental Income

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

High Occupancy Levels

Keep occupancy levels high by maintaining high-quality services and technical standards, capitalising on targeted tenants' requirements, and actively managing tenancy expiries.

High Tenancy Renewal Rates

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

A Quality and Diversified Tenant Base

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

Acquisition Strategy

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



Yield Accretion

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

Potential for Asset Growth

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

Tenant Characteristics

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

Location and Accessibility

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

Value-adding Opportunities

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

Building Specifications

The building specifications should be top-quality. Other aspects such as building condition, sustainability performance and climate resilience, and compliance with regulations will also be examined.

Financial Review

Distributions

The total distribution amount of Champion REIT for the year was HK\$1,476 million, representing a decline of 5.7% compared to HK\$1,566 million in 2019. The total distribution amount is based on 95% of Champion REIT's distributable income.

The distribution per unit for the six months ended 31 December 2020 ("Final Distribution per Unit") was HK\$0.1275. This is subject to adjustment that may result from the issuance of any new units between 1 January 2021 and the record date. A further announcement informing unitholders of any adjustment to the Final Distribution per Unit will be made in due course.

With an Interim Distribution per Unit of HK\$0.1225 and a Final Distribution per Unit of HK\$0.1275, the Total Distribution per Unit for 2020 amounted to HK\$0.2500 (2019: HK\$0.2662). Based on the closing unit price of HK\$4.53 recorded on 31 December 2020, the Total Distribution per Unit represented a distribution yield of 5.5%.

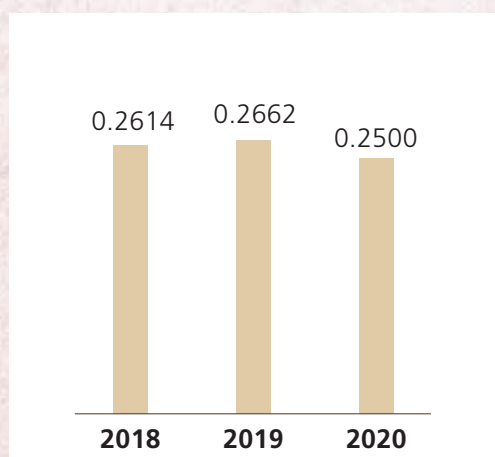
Closure of Register of Unitholders

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

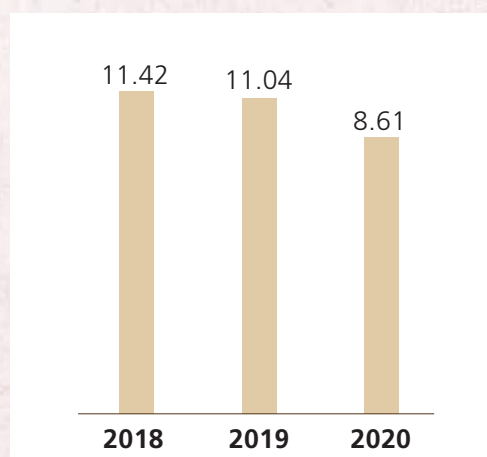
- (i) To qualify for the distribution for the six months ended 31 December 2020

For the purpose of ascertaining the Unitholders' entitlement to the distribution for the six months ended 31 December 2020, the Register of Unitholders will be closed from Monday, 26 April 2021 to Thursday, 29 April 2021, both days inclusive. The payment of the distribution for the six months ended 31 December 2020 will be made on Friday, 7 May 2021 to Unitholders whose names appear on the Register of Unitholders on Thursday, 29 April 2021.

Distribution per Unit (HK\$)



Net Asset Value per Unit (HK\$)



In order to qualify for the distribution for the six months ended 31 December 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 ("Unit Registrar") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30pm on Friday, 23 April 2021.

(ii) To attend and vote at the 2021 Annual General Meeting

For the purpose of ascertaining the Unitholders' entitlement to attend and vote at the 2021 Annual General Meeting to be held on Thursday, 20 May 2021 ("2021 AGM"), the Register of Unitholders will be closed from Friday, 14 May 2021 to Thursday, 20 May 2021, both days inclusive.

In order to be eligible to attend and vote at the 2021 AGM, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with the Unit Registrar for registration not later than 4:30pm on Thursday, 13 May 2021.

Proactive Liability Management

Committed Debt Facilities ⁽¹⁾

As at 31 December 2020

(HK\$ million)

	Fixed rate debt ⁽²⁾	Floating rate debt	Total debt	Undrawn committed facilities	Total debt and undrawn committed facilities
HK\$ denominated					
Secured bank loans	3,450	–	3,450	–	3,450
Unsecured bank loans	2,900	2,493	5,393	3,007	8,400
Medium Term Notes	1,700	643	2,343	–	2,343
	8,050	3,136	11,186	3,007	14,193
US\$ denominated⁽³⁾					
Medium Term Notes	5,324	–	5,324	–	5,324
	5,324	–	5,324	–	5,324
Total	13,374	3,136	16,510	3,007	19,517

(1) All amounts are stated at face value

(2) After accounting for interest rate swaps

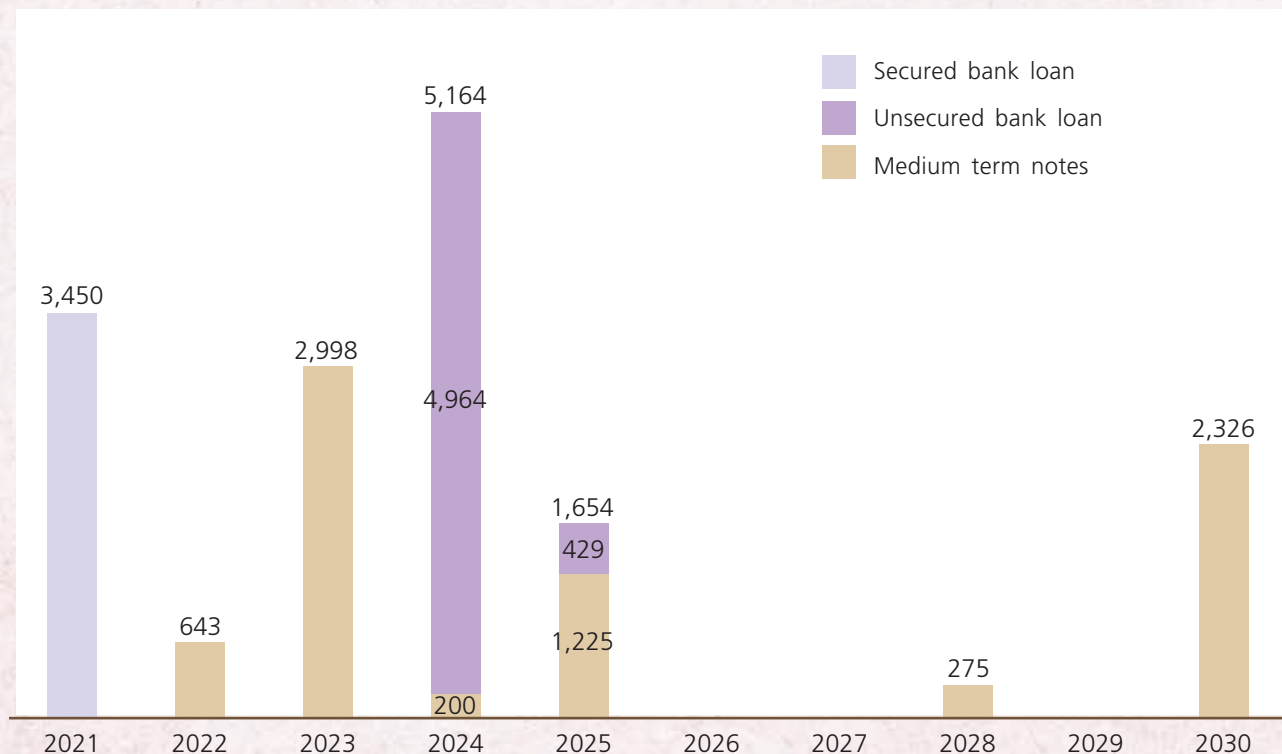
(3) Included notes with outstanding principal amount of US\$386.4 million, fully hedged at an average rate of HK\$7.7595 to US\$1.00

Financial Review

Outstanding debt maturity profile

As at 31 December 2020

(HK\$ million)



The Trust strengthened its liquidity position amid the coronavirus pandemic. During the year, the Trust issued US\$300 million 10-year medium term notes at a coupon rate of 2.95% per annum and entered into several committed term and revolving credit facilities. As at 31 December 2020, the fixed-rate debt proportion of the Trust was 81.0% as compared to 77.0% as at 30 June 2020; the increase was mainly due to partial repayment of floating-rate bank loans during the second half of 2020. Such ratio is expected to come down upon refinancing of the secured bank loan due 2021. The average effective interest rate for the year, after

accounting for interest rate swaps and cross currency swaps, was 2.7% (2019: 3.0%). The average life of the Trust's outstanding debt was 3.5 years as at 31 December 2020 (2019: 3.2 years).

As at 31 December 2020, 79.1% (2019: 75.5%) of total outstanding debt facilities was unsecured. The remaining 20.9% (2019: 24.5%) of loan facilities was secured by certain portions of Three Garden Road, which carried a fair value of HK\$21.0 billion as at 31 December 2020. The Trustee has provided guarantees for all of the debt facilities.

The Trust's investment properties as at 31 December 2020 were appraised at a total value of HK\$67.3 billion, representing a 17.1% decrease from HK\$81.2 billion as at 31 December 2019. Coupled with the increase in total debt to HK\$16.5 billion (2019: HK\$15.0 billion), the Trust's gearing ratio (or total borrowings as a percentage of gross assets) as at 31 December 2020 increased to 23.0% (2019: 18.0%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 29.1% (2019: 22.5%).

Strengthened Liquidity Position

As at 31 December 2020, the Trust had committed debt facilities of HK\$3,007 million which remained undrawn. Together with cash and deposits of HK\$1,834 million (out of which HK\$1,132 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 and listed equities with an aggregate carrying amount of HK\$2,145 million (2019: HK\$215 million) and HK\$78 million (2019: HK\$

Nil) respectively as at 31 December 2020. The Trust intended to hold the bonds until their respective maturities.

Net Assets Value per Unit

The Net Asset Value per Unit as at 31 December 2020 was HK\$8.61 (2019: HK\$11.04). It represented a 90.1% premium to the closing unit price of HK\$4.53 as at 31 December 2020.

Commitments

As at 31 December 2020, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the consolidated financial statements amounting to HK\$45 million.

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

Sustainable Development

Sustainability is fundamental to the long-term and prosperous development of Champion REIT. As we grow our business, we endeavour to embrace sustainability in every facet of our operations and actively influence stakeholders to create positive ripple effects in our community.

Introduction

In this section, we will outline the Trust's sustainability governance and core strategy – the four pillars wherein we develop our sustainability initiatives. We will also present the blueprint of the Trust's 2030 Environment, Social and Governance ("ESG") targets, which were established in alignment with nine of the United Nations' Sustainable Development Goals ("SDGs"), and discuss the efforts and progress that we made to achieve these targets.

A review of the Trust's sustainability performance from 1 January 2020 to 31 December 2020 is disclosed separately in our first standalone Sustainability Report 2020. The report is prepared in accordance with the Stock Exchange of Hong Kong Limited ("HKEX") ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules. The report is available on our corporate website: www.championreit.com/sustainability/esg-reports.



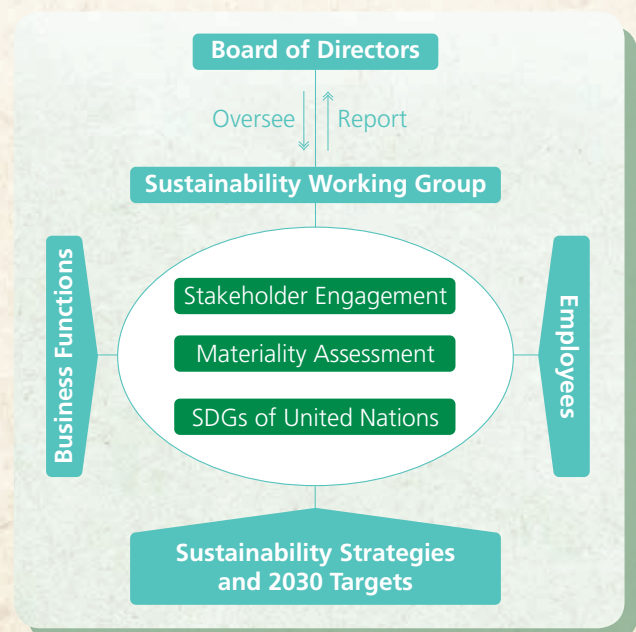
Sustainability Working Group

Our CEO chairs the Sustainability Working Group, composed of senior management from core functional teams, including investor relations, asset management, risk management, property management, marketing and corporate communications. The working group members possess different expertise and come from varying backgrounds, which help foster our advancing sustainability journey. The working group paves the way towards the Trust's sustainability agenda under the Board's leadership. It established the Trust's 2030 ESG targets and implemented various initiatives for achieving the defined targets. Furthermore, the working group fuels critical sustainability topics such as risk management, climate resilience and stakeholder engagement. The working group regularly reports on the progress of different initiatives to the Board and gathers insights for further growth.

Sustainability Governance

Board Governance

Under the robust governance structure for sustainability, the Board leads the direction of the Trust and is actively engaged in formulating the sustainability strategies for long-term development. The Board provides oversight to all sustainability matters, including our 2030 ESG targets, risk management, climate resilience and critical sustainability initiatives. The Board proactively engages in ESG task prioritisation, progress review and recommendation. We arranged ESG-related training for the Board to keep up with the latest ESG trends. The proportion of women in the Board also increased from 14% to 28% this year, a move that we hope will bring about diverse views and insights regarding the sustainable development of the Trust.



The working group members communicate and work closely with other employees, keeping them informed of the Trust’s sustainability directed initiatives and engaging them in our sustainability journey. Sustainability training such as topics related to health and safety and climate change are provided to different employees regardless of their job nature and seniority, fostering a strong sustainability culture across the Trust. Employees are encouraged to share their ideas relating to sustainability, promoting the creative mindset of responsible development, and working together for the Trust’s continuous success.

targets. As the key performance indicators progress, we will annually update the Sustainability Report.

Progress of 2030 ESG Targets












Last year, we established our long-term goals in alignment with the nine of the United Nations’ SDGs. The Trust set 14 long-term ESG targets under the 2030 blueprint, making significant headway in our sustainability performance by implementing a systematic and measurable approach. We strategically planned a series of sustainability initiatives for achieving these











Aspect	Focus Area	2030 Target	2020 Progress Update
Environment 	Energy and carbon emissions 	<ul style="list-style-type: none"> Reduce 42% carbon intensity by 2030⁽¹⁾ 	<ul style="list-style-type: none"> Reduced 7.9% and 8.0% energy consumption and carbon emissions respectively in 2020 Installed over 40 solar panels at Three Garden Road that will generate estimated 16,940kWh electricity annually Ongoing chiller plant retro-commissioning and optimisation at both properties
	Water 	<ul style="list-style-type: none"> Reduce 25% water consumption intensity by 2030⁽²⁾ 	<ul style="list-style-type: none"> Achieved 7.0% reduction of water usage in 2020
	Waste 	<ul style="list-style-type: none"> Develop a well established waste tracking system to facilitate future waste management initiatives and minimise waste generated from operations 	<ul style="list-style-type: none"> Collected around 10,000kg food waste from both properties in 2020 To build up a waste management database To replace and add all rubbish bins with recycling bins gradually To encourage tenants on sustainable packaging practices continually

Sustainable Development

Progress of 2030 ESG Targets

Aspect	Focus Area	2030 Target	2020 Progress Update
 	Climate change 	<ul style="list-style-type: none"> Develop a Climate Resilience Policy and mitigation plan Reduce impacts of climate change 	<ul style="list-style-type: none"> Worked out the draft of Climate Resilience Policy and mitigation plan
	Green buildings 	<ul style="list-style-type: none"> Achieve the highest rating of green building certification Adopt at least one innovation of green building feature in every two years Establish a Green Lease Partnership Programme 	<ul style="list-style-type: none"> Obtained BEAM Plus (Existing Building) – Platinum (Langham Place Mall) Became Signatory of Business Environment Council's Low Carbon Charter To use AI technology for enhancing energy efficiency
Social    	Health and safety 	<ul style="list-style-type: none"> Maintain zero fatality and work injury among our employees 	<ul style="list-style-type: none"> Reported zero fatality and work injury in 2020
	Well-being 	<ul style="list-style-type: none"> Maintain IAQ Certification of Excellence Class for all premises Develop Health and Well-being Policy Conduct well-being survey for both our employees and tenants 	<ul style="list-style-type: none"> Achieved IAQ Certification of Excellence Class at Three Garden Road and Langham Place for over 10 consecutive years Strengthened anti-pandemic measures, including the smart applications of intelligent body disinfection stations, cleaning robots, UV disinfection for escalators, and utensil sanitiser at Langham Place's food court Achieved WELL Building Standard – Platinum (Three Garden Road) Conducted employee well-being survey with response rate of 64% Organised hand-made alcohol sanitiser and zentangle workshop for employees Arranged wellness Christmas wreath workshop for employees
	Training and development 	<ul style="list-style-type: none"> Increase 50% average training hours of our employees by 2030⁽³⁾ Develop training and development plan aligned with sustainability strategy Arrange sustainability-related training to all Board members and employees 	<ul style="list-style-type: none"> 100% employees received ESG-related training Developed training and development plan aligned with sustainability strategy To achieve 5%-10% increase on average training hours

Aspect	Focus Area	2030 Target	2020 Progress Update
	Stakeholder engagement 	<ul style="list-style-type: none"> Increase 50% resources devoted to stakeholder engagement by 2030⁽³⁾ Develop ongoing stakeholder engagement plan 	<ul style="list-style-type: none"> Built tenant partnerships through Entrepreneur in Action student summer programme to create larger social impacts
	Community investment 	<ul style="list-style-type: none"> Increase 25% volunteer service hours by 2030⁽³⁾ Measure and report impacts of community investment 	<ul style="list-style-type: none"> Average volunteer service hours increased 3% from base year Launched Entrepreneur in Action student summer programme during the pandemic Over 700 people benefited from our community events
	Diversity and inclusion 	<ul style="list-style-type: none"> Promote gender equality through awareness training and sharing 	<ul style="list-style-type: none"> Carried out Mother's Day and Father's Day celebrations Offered equal opportunity training in employees' monthly meeting Increased the proportion of female Board members from 14% to 28%
Governance  	Board 	<ul style="list-style-type: none"> Formally set up Nomination Committee Further enhance the Board's involvement in sustainability matters 	<ul style="list-style-type: none"> Set up Nomination Committee
	ESG Policy 	<ul style="list-style-type: none"> Establish integrated ESG Framework and Policies Strengthen governance through best practices of documentation and regulatory procedures 	<ul style="list-style-type: none"> Established ESG Framework, Environment Policy and Social Responsibility Policy
	Supply chain management 	<ul style="list-style-type: none"> Develop a structured green procurement system Conduct supply chain risk assessments 	<ul style="list-style-type: none"> Established Green Purchasing Policy To research on supply chain assessments

⁽¹⁾ Tonne CO₂ equivalent per square metre; compared to base year 2011

⁽²⁾ Cubic metre per square metre; compared to base year 2014

⁽³⁾ Compared to base year 2018

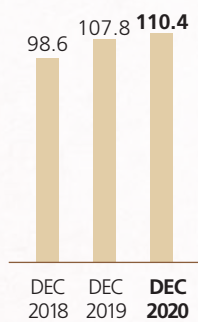
Property Portfolio At-a-glance



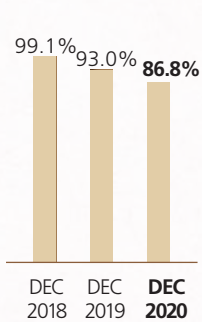
Three Garden Road

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

Office Passing Rent
(HK\$psf)



Occupancy Rate



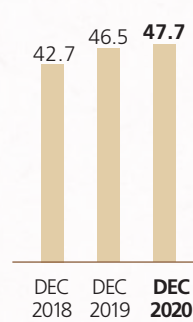
Tenant Profile as at 31 December 2020



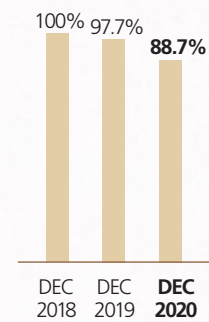
Langham Place Office Tower

Langham Place Office Tower is a 703,000 gross sq. ft. 59-storey office tower located within the Langham Place mixed-use development. It is a Grade A office property in Mong Kok, an important transport hub in Kowloon and a busy shopping district. The building is positioned as a lifestyle hub to attract lifestyle tenants, building synergy with Langham Place Mall.

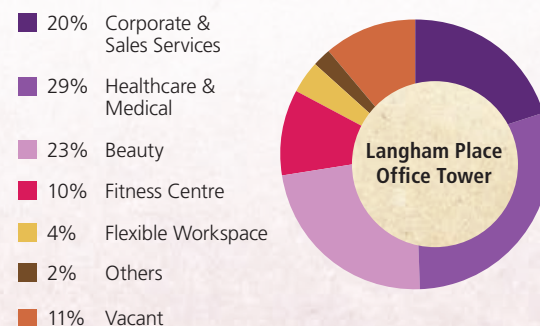
Passing Rent
(HK\$psf)



Occupancy Rate



Tenant Profile as at 31 December 2020

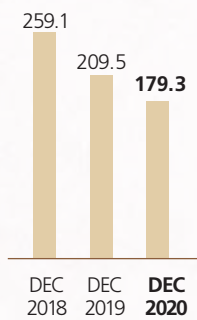




Langham Place Mall

Langham Place Mall is a 15-storey, 590,000 gross sq. ft. vertical mall focusing on mid-priced fashion, beauty products, and food and beverage outlets. It anchors the Langham Place development and offers a unique shopping experience. The mall has built its reputation as a trendy social and retail destination for young shoppers.

Passing Rent (HK\$psf)

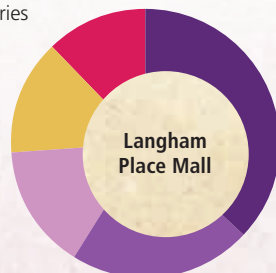


Occupancy Rate



Tenant Profile as at 31 December 2020

- 37% Fashion & Accessories
- 22% Food & Beverage
- 15% Entertainment
- 12% Health & Beauty
- 14% Others



Major Tenants of Champion REIT

(in alphabetical order)

- Blackrock
- Bloomberg
- Citi
- Dr Reborn & Union Medical Healthcare
- Industrial and Commercial Bank of China
- Neo Derm
- Perfect Medical
- PURE Fitness & PURE Yoga

Value as at 31 December 2020

HK\$ million	Three Garden Road	Langham Place	Sub-total
Office	39,582	9,055	48,637
Retail	607	16,628	17,235
Car Park	576	302	878
Miscellaneous	367	201	568
Total	41,132	26,186	67,318

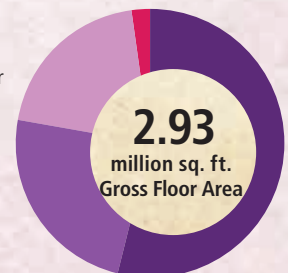
Acquisition Subsequent to Year End

Champion REIT entered into a joint venture for acquisition of 66 Shoe Lane in London on 26 February 2021. The property is a premium Grade A building with excellent accessibility that demonstrates long-term growth potential.

For details, please refer to the announcement: www.championreit.com/investor-relations/announcements-and-circulars



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

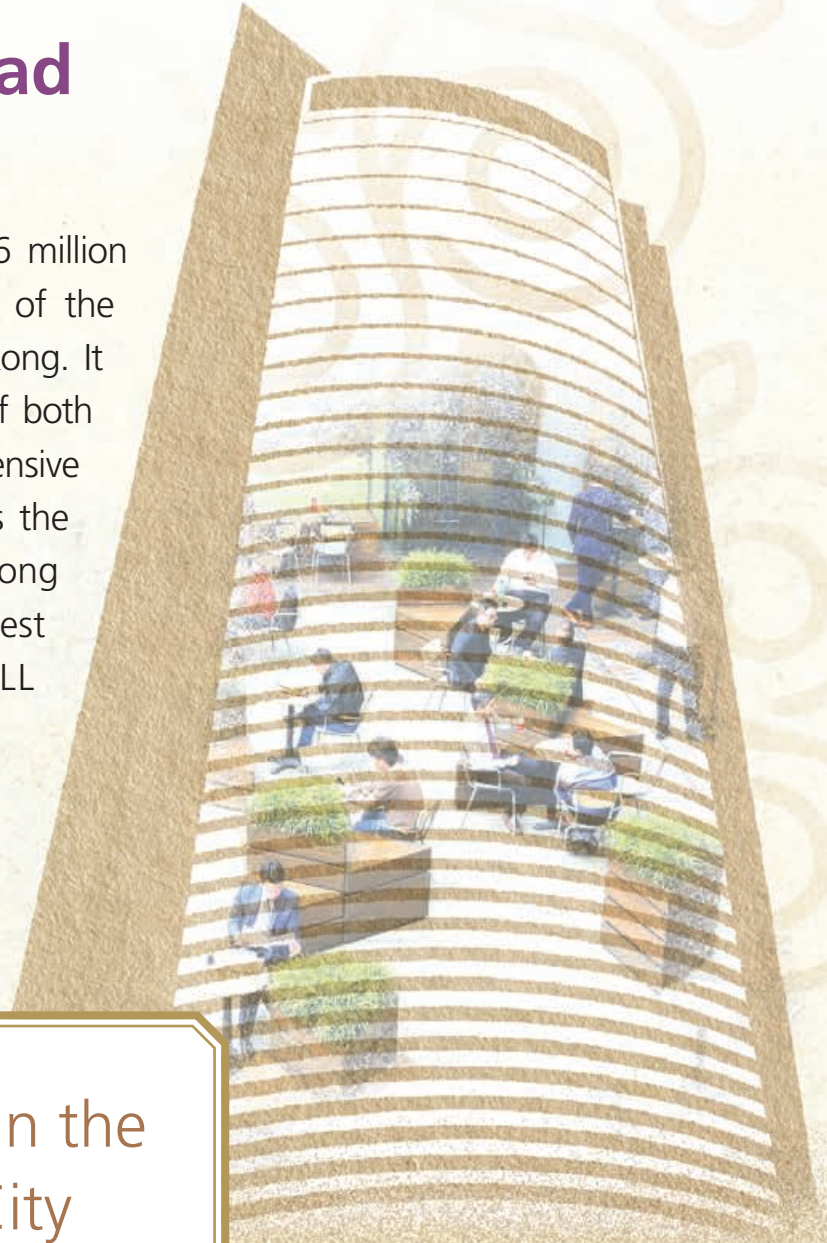


Three Garden Road

With a gross floor area of over 1.6 million sq. ft., Three Garden Road is one of the biggest office complexes in Hong Kong. It has the flexibility to join 26 floors of both towers, providing the most extensive available floor plate in Central. It is the first existing office building in Hong Kong to be awarded the highest Platinum certification of WELL Building Standard.



A Wellness Hub in the Heart of the City





Prime Asset

Three Garden Road is a modern glass and steel office complex, comprising Champion Tower and ICBC Tower, a retail podium, and a three-level basement garage capable of accommodating 558 vehicles. The complex is located in the Central district of Hong Kong and is well connected by an elevated walkway to the rest of the area. Nestled within the traditional banking hub of Hong Kong, it also contains all three of Hong Kong's currency-issuing banks' headquarters.

Architectural Excellence

With a gross floor area of over 1.6 million sq. ft., Three Garden Road is one of the biggest office complexes in Hong Kong, capable of serving a working population of over 10,000. The premium office complex is considered by many to be one of Central's iconic structures. Besides its two characteristic curved reflective facades, the complex contains many distinct architectural features. One being that all 26 floors of the two towers are connected, yielding a total floor plate of up to 34,000 sq. ft. This floor plate is the largest available in Central. In recognition of excellence in architectural design, the Hong Kong Institute of Architects issued its highest award to Three Garden Road upon its completion.

Grade A Standard with Continuous Upgrade

Three Garden Road is an archetypal modern premium Grade A office complex. It is replete with a fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate simplified cabling and flexibility in office configurations, and a central computerised control centre. Essential among Three Garden Road's attributes is its ability to conform to the stringent specifications required by multinational financial institutions. These include security lift facilities, high redundant power supply to floor space ratios, timely emergency power supply and more importantly, emergency chilled water facilities to data centres during power outages. It also operates an intelligent heat

Three Garden Road

detection system, which can prevent the unintentional activation of sprinklers. Three Garden Road has continually upgraded the chilled water system and the generator to optimise energy efficiency during the entire year. Internet of Things (IoT) technology has been extensively applied to Three Garden Road to improve environmental performance. It adopts IoT technology for a pioneering demand-and-control ventilation system in the carpark for energy saving.

WELL Building Standard Platinum (Top Honour)

Three Garden Road achieved the Platinum level of the WELL Building Standard, becoming the first-in-Hong Kong existing building to attain the highest level of certification. It fulfilled the WELL Platinum Standard, including air, water, light, nourishment, movement, thermal comfort, sound, materials, mind and community. This recognition is a testament to Three Garden Road's commitment to enhancing people's health and protecting the environment.

Three Garden Road places great emphasis on the quality of facility management and customer experience. It is believed that tenants and visitors' relaxation and cardiovascular health are integral to its success. Three Garden Road is home to a health club, occupying almost three floors of one of the towers. This health club features a gymnasium and a heated swimming pool, among other exercise facilities. Pioneering campaigns, such as online classical music performance and virtual run event, were held to promote healthy lifestyles and mental well-being.

Another amenity for tenants is the retail area in the podium's lower lobby, where tenants can access various food and beverage outlets. Additionally, upscale flexible workspaces offer lunch, happy hour drinks, and event space for tenants. The latest addition to the property is a beautiful artwork displayed on the outdoor staircase leading up to the building, titled *Garden in the City*. To support the development of local artists, the Trust invited a young Hong Kong artist to create this unique piece. Not only does this work provide joy to viewers, but it also encourages tenants and visitors to take the stairs and achieve healthier lifestyle. All of these wellness amenities and services provide tenants with an environment to enjoy work-life balance.



Building Statistics

Assessed Value
HK\$41.1 billion

Height
205m

Highest Floor
50

No. of Vehicle Basement Garage
558

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

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

Lettable Retail Area
43,000 sq.ft.

Gross Floorplate
34,000 sq.ft.

Features and Amenities

- WELL Building Standard Platinum Certification
- ISO 45001 Certification
- ISO 9001 Certification
- ISO 14001 Certification
- 30,000 sq. ft. Fitness Centre
- Nine Emergency Generators (12,400kVA)
- 40 Passenger Lifts
- Security Card Access
- Private Driveway
- Private Taxi Stand
- Electric Vehicle Charging Stations
- Shuttle Bus Service
- Internal Loading Dock
- 10-storey Lobby Atrium
- Heated Swimming Pool
- Excellent Class Certificate of IAQ Certification Scheme for over 10 Consecutive years
- Over 25% Exterior Site Area with Natural Elements

Langham Place

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

Reinventing Lifestyle
Experiences



Premium Asset, Prime Location

Langham Place is an integrated commercial development comprising a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark, and a 42-storey five-star hotel. The project occupies two entire city blocks, bordered by Argyle Street, Portland Street, Shantung Street and Reclamation Street. Completed in 2004 with a total floor area of nearly two million sq. ft., Langham Place immediately became a defining landmark of Mong Kok, and a prime retail and commercial zone. A pedestrian tunnel directly links Langham Place to the Mong Kok Interchange of the Mass Transit Railway. The portion of Langham Place that Champion REIT owns is the entire Langham Place Mall, the carpark, and all but four floors of the Langham Place Office Tower, equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place in percentage terms.

Lifestyle Hub in Mong Kok

Over the years, Langham Place Office Tower has transformed into a lifestyle hub. The property's strategic location in the heart of Mong Kok, where different forms of public transport are easily accessible, continued to be highly valued by beauty and healthcare tenants and customers. This 255-metre skyscraper also benefits from the neighbouring Langham Place Mall and Cordis Hotel. The building's convenient location attracts tenants from the lifestyle, beauty and healthcare sectors with a synergetic connection to the Langham Place Mall. The building is covered in reflective blue glass and topped off with a large colour-changing dome, visible from as far away as Hong Kong Island at night. It also boasts a sweeping panoramic view of the Kowloon skyline. Furthermore, the building contains a 70,000 sq. ft. fitness centre, allowing visitors to enjoy a lively and healthy lifestyle.



Langham Place

Trendsetter for Elevated Retail Experiences

As a retail trendsetter, Langham Place Mall swiftly adapted to the pop culture trends and strategically created new retail experiences for customers. The mall stepped up efforts in introducing various first-in-Hong Kong shops to strengthen its competitiveness, which successfully stimulated both traffic and sales. A broad array of marketing campaigns that catered to young customers were carried out at the mall, such as events that featured popular cartoon characters. By taking an innovative and agile approach, Langham Place Mall keeps up with the shifting retail trends and thrives in the ever-changing market.

Hip and Trendy Shopping Mall

Being one of the busiest malls in town, Langham Place Mall boasts a vast array of retail options ranging from lifestyle retailers, health and beauty outlets, to sportswear and accessories retailers. As part of the shopping experience, the mall also offers its shoppers a Cineplex, a games arcade and more than 50 food and beverage outlets, which are very popular among young people.

Langham Place Mall is the most impressive shopping destination given its premium location and attractive tenant mix. The excellent accessibility of Langham Place benefits its tenants to rank top in the market, such as the box-office of Cinema City ranked No. 1 in Hong Kong in 2020.

BEAM Plus Building Standard Platinum (Top Honour)

Langham Place Mall attained the highest Platinum rating under the BEAM Plus Existing Building V2.0 Comprehensive Scheme, which adopts a holistic approach to assessing the building's long-term environmental performance. The mall achieved excellent results with full credit in the aspect of energy usage.



Building Statistics

Assessed Value

HK\$26.2 billion

Height

255m

Highest Floor

60

No. of Vehicle Basement Garage

250

Gross Floor Area*

1,293,000 sq.ft.

Gross Office Area*

703,000 sq.ft.

Lettable Retail Area

319,000 sq.ft.

Gross Office Floorplate

17,400 sq.ft.

* only Champion REIT's portion

Features and Amenities

- BEAM Plus Existing Building Platinum Certification
- ISO 45001 Certification
- ISO 9001 Certification
- ISO 14001 Certification
- 70,000 sq. ft. Fitness Centre
- 15-storey Shopping Mall
- Adjoining Five-star Hotel
- 1,100 Seat Cineplex
- Over 50 Food and Beverage Outlets
- Direct MTR Access
- 10-storey Glass Atrium
- Panoramic View of Kowloon
- Electric Vehicle Charging Stations
- Internal Loading Dock
- Excellent Class Certificate of IAQ Certification Scheme for over 10 Consecutive Years

Langham Place Mall Thriving in the Evolving Landscape

Adapting to the
New Normal with
Solidarity and Agility

Flexible strategies and operations are essential for malls and retailers to thrive in the ever-changing business landscape. Langham Place Mall is mindful of its stakeholders' needs and responded swiftly through tenant partnerships and new solutions, adapting to the new normal in a bid to create sustainable community for all.



Proactive Tenant Management and Support

Langham Place Mall views its tenants as long-term strategic partners and works more closely than ever with them in the trying time to create a positive business environment. Given the significant reduction in retail sales, Langham Place Mall allocated more resources to promotional activities aiming to lift footfall and consumer sentiment. It provided a robust rental settlement method for office tenants, bridging the long-term strategic partnership with them. Langham Place Mall proactively listens to the voices of its tenants, and facilitates their needs with great flexibility.

Achieving 100% Occupancy

Langham Place regards working side by side with tenants to be crucial in riding out difficult times. In addition to providing a hygienic and safe environment, Langham Place partnered with tenants for a variety of sales-driven campaigns. It launched its first-ever eStore to offer discounted cash vouchers of over 80 tenants to drive sales and footfall as well as strengthen brand presence through omnichannel retailing. Langham Place Mall remained fully occupied as at 31 December 2020, which was the only major shopping mall in Hong Kong that achieved this during the pandemic.

Case Highlight: Successful Partnership with Tenant

The collaboration of Langham Place Mall with kkplus is one example of the successful collaborations, which is the brand-new platform for trendy collectable toys. In partnership with Langham Place Mall, it held a series of exhibitions on different floors of the mall with various themes, such as featuring classic animation characters. It was proven to be a successful initiative to catch customers' eyes and drive sales.



Langham Place Mall Thriving in the Evolving Landscape



New Solutions under the New Normal

Langham Place kept up with the retail trends and promptly brought new solutions to boost consumer sentiment given the retail industry was impacted by the pandemic. These included tenant cash vouchers and gift rewards upon spending, takeaway offers from restaurants, extra carpark offers, and more.

Customers Spending Up 20% after Marketing Automation

LP CLUB implemented marketing automation by integrating a member base system, and first utilised this function for the eStore promotion. The system could automatically issue related communications to members according to their interests and spending records. After implementing automation, spending rose approximately 20% per member based on the figures, proving that marketing and customer experience were enhanced successfully.



Smart Application of Hygiene Measures

Langham Place ramped up efforts to safeguard stakeholders' health and safety during the pandemic by embracing pioneering and technology-centered initiatives. These included intelligent disinfection stations, UV disinfection for escalator handrails, cleaning robots, and air purifiers at guest lifts. Moreover, it first introduced the hands-free step for customers to access toilet doors and installed a new handle design for toilet seat cover, in order to foster a touchless environment, reducing virus transmission through touchpoints.

With its devoted efforts to provide a safe and reliable environment, Langham Place received the Certificate of Hygiene Measures for the CoV-prevention Certification Scheme.





Cutting-edge Marketing Campaigns

A rich array of marketing campaigns were rolled out at Langham Place Mall throughout the year despite the challenging business environment.

During the last Lunar New Year, Langham Place and LEGO® brought the myth of the Chinese Zodiac to life in celebrating the new year. Customers could also participate in interactive games to win exclusive gifts from LEGO®.

In the summer, Langham Place held a campaign that themed on the Alien characters (The Little Green Men) from the beloved Disney-Pixar movie. The party included a pop-up store that exclusively sold over 200 Alien Remix toys and other merchandise.

Langham Place collaborated with Tamashii Nations, holding the first-ever large-scale "Evangelion" exhibition in Hong Kong, to celebrate the 25th anniversary of "Evangelion".

For Christmas celebration, Langham Place Mall invited Japanese Contemporary Artist, Yukino Ohmura, to show her art pieces in Hong Kong for the first time during Christmas, bringing artistic experience to customers.

Valuation Report

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27 January 2021

EAGLE ASSET MANAGEMENT (CP) LIMITED

SUITE 3008, 30/F, GREAT EAGLE CENTRE
23 HARBOUR ROAD
WANCHAI
HONG KONG
(THE MANAGER FOR CHAMPION REAL ESTATE INVESTMENT TRUST "CHAMPION REIT")

AND

HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED

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

Dear Sir/Madam,

Re: Valuation of Three Garden Road, Central, Hong Kong (the "Property")

1.1 Instructions

In accordance with the instructions for us to value the Property, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the leasehold interests of the Property in its existing state as at 31 December 2020 (the "Valuation Date") for reporting purposes.

1.2 Valuer's Interest

We hereby confirm that:

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

1.3 Basis of Valuation

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

1.4 Valuation Standards

The valuations have been carried out in accordance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors, and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in August 2014.

1.5 Valuation Rationale

In the course of our valuations, we have adopted the **Income Approach - Term and Reversion Method**. This valuation method estimates the value of properties or assets on a market basis by capitalising net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses. Our adopted capitalisation rate for the retail and office accommodations is 4.35% and 3.7%, respectively.

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

1.6 Title Investigations

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

Valuation Report

1.7 Sources of Information

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

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

1.8 Site Measurement

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

1.9 Site Inspections

We have inspected the exteriors and the interiors of the Property. Our inspections of the Property were carried out by Stella Ho (MRICS and MHKIS) on 18 December 2020. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuations have been prepared on the assumption that these aspects are satisfactory.

1.10 Caveats and Assumptions

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

No allowances have been made in our valuations for any charges, mortgages or amounts owing either on the Property or for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its values.

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

We have made the following assumptions:

- All information on the Property provided by the Manager is correct.
- Proper ownership titles of and relevant planning approvals for the Property has been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.

- We have been provided with the tenancy schedules, a standard Tenancy Agreement and a Licence Agreement by the Manager. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- As instructed, we have relied upon carpark numbers as advised by the instructing party. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.
- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.
- No acquisition costs or disposal costs have been taken into account in the valuations.
- The Government Leases will be renewed upon expiry on normal terms.

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

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

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Limited

Stella Ho
BSSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA
Registered Real Estate Appraiser PRC
Senior Director
Valuation & Advisory Services

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region (Hong Kong). She is suitably qualified to carry out the valuation and has over 20 years' experience in the valuation of properties of this magnitude and nature.

Valuation Report

2 VALUATION PARTICULARS

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020	Estimated Net Property Yield														
Three Garden Road, Central, Hong Kong (the Property) (See Note 1)	Three Garden Road is an office/commercial/carparking development situated in Central district. It comprises one 47-storey office block, known as Champion Tower, and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.	The retail portion of the Property was let under seven tenancies for various terms with the latest expiry date in October 2025, yielding a total monthly rental income of approximately HKD2.83 million, exclusive of rates, management and air-conditioning charges. The retail tenancies, except Shop No. 5 on Lower Ground Floor, were subject to turnover rents. The average monthly turnover rent receivable during the period from January 2020 to July 2020 was approximately HKD61,000.	HKD41,132,000,000 (Hong Kong Dollars Forty-One Billion One Hundred and Thirty-Two Million Only)	3.7%														
1,449,936/1,650,000th undivided parts or shares of and in Inland Lot No 8888.	The Property comprises the whole of the retail accommodation and the whole of the office units of the development. The total floor area and the gross rentable area of the retail and office portions of the Property are approximately as follows:	With the exception of the vacant 14,981.33 sq m (161,259 sq ft), the office portion of the Property was let under various tenancies for various terms with the latest expiry date in June 2025, yielding a total monthly rental income of approximately HKD119.16 million, exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.																
	<table border="1"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Total Floor Area</th> </tr> <tr> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>5,362.41</td> <td>57,721</td> </tr> <tr> <td>Office</td> <td>146,773.78</td> <td>1,579,873</td> </tr> <tr> <td>Total</td> <td>152,136.19</td> <td>1,637,594</td> </tr> </tbody> </table>			Use	Total Floor Area		sq m	sq ft	Retail	5,362.41	57,721	Office	146,773.78	1,579,873	Total	152,136.19	1,637,594	
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Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020	Estimated Net Property Yield
	<p>The Property also includes 58 private car parking spaces and a fee-paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.</p>	<p>The occupancy rates of the retail and office portions were approximately 100% and 86.8%, respectively.</p>		
	<p>Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No. 12063 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>A total of 500 carparks and 50 motorcycle parking spaces were being operated as a fee-paying public carpark and the remaining 58 carparks were occupied as private carparks and let under various licences. The total average monthly gross income receivable during the period from January 2020 to November 2020 was approximately HKD1.68 million, inclusive of rates and management fees.</p>		
		<p>Various spaces for cellular phone systems were let under three licences for various terms with the latest expiry date in February 2022, yielding a total monthly licence fee of approximately HKD77,000, exclusive of rates and management fees.</p>		
		<p>A satellite phone antenna, various advertising spaces, the naming right of ICBC Tower and a storeroom on 36th Floor of ICBC Tower were let under three licences with the latest expiry date in September 2023, yielding a total monthly licence fee of approximately HKD1.64 million, exclusive of rates and management fees.</p>		

Valuation Report

Notes:

- The Property comprises the following portions:

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

- The registered owners of the respective portions of the Property as at the Valuation Date are set out below.

Registered Owner	Portion of the Property
Shine Hill Development Limited	<p>Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).</p> <p>Various portions of the Champion Tower, including 3rd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors, 25th to 28th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).</p> <p>Restaurant Space and Shops 1 to 4 on Lower Ground Floor of the development.</p> <p>Private car parking space nos. 5 to 20, 26 to 33, 45 to 51, 121 to 122 and 166 to 167 on Basement 2 and public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the development.</p> <p>All those Reserved Areas as defined in the Deed of Mutual Covenant and Management Agreement in respect of Three Garden Road registered in the Land Registry by Memorial No UB5511011 (being those parts of the buildings not specifically assigned for the exclusive use of any Owner and not being part of the common areas) reserved for the exclusive use and occupation of Shine Hill (including without limitation to the generality of the foregoing, the Main Roofs, the flat roof, the External Walls, the loading/unloading areas on the First Basement and three (3) flag poles at or above Level +14.668 facing the transverse road).</p>
Maple Court Limited	<p>29th to 30th Floors and Portion B on 31st Floor of Champion Tower.</p> <p>Private car parking space nos. 21 to 22 on Basement 2 of the development.</p>
Panhy Limited	<p>Portion A on 31st Floor and 32nd to 33rd Floors of Champion Tower.</p> <p>Private car parking space nos. 42 to 44 on Basement 2 of the development.</p>
Well Charm Development Limited	38th Floor Champion Tower.

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

3. The Property is subject to, inter alia, the following encumbrances as at the Valuation Date:
- (i) The portion of the Property held by Shine Hill Development Limited (see Note 2), except a portion of 3rd Floor and whole 4th to 6th Floors of Champion Tower, is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HKD16,117,000,000 dated 26 April 2006.
 - (ii) The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HKD860,000,000 dated 26 April 2006.
 - (iii) The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HKD885,000,000 dated 26 April 2006.
 - (iv) The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HKD363,000,000 dated 26 April 2006.
 - (v) The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HKD3,841,000,000 dated 26 April 2006.
 - (vi) The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HKD604,000,000 dated 26 April 2006.
 - (vii) The Property is subject to a memorandum on change of buildings names registered in the Land Registry vide memorial no 16072202320206 dated 28 June 2016.

Valuation Report

- (viii). The following portion of the Property are subject to a legal charge in favour of Hang Seng Bank Limited registered in the Land Registry vide memorial no 16072802200056 dated 28 June 2016:
- a. All those portions of 5th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors of ICBC Tower held by Shine Hill Development Limited;
 - b. All those Portion A on the 31st Floor and 32nd to 33rd Floors of Champion Tower and all those three private car parking space nos. 42 to 44 on Basement 2 of the Property held by Panhy Limited;
 - c. All that the whole of the 38th Floor of Champion Tower held by Well Charm Development Limited;
 - d. All those the whole of the 39th Floor and Portion B on the 40th Floor of Champion Tower and all those three private car parking space nos. 23 to 25 on Basement 2 of the Property held by CP (Portion B) Limited; and
 - e. All those the whole of the 34th, 36th and 37th Floors of Champion Tower and all those three private car parking space nos. 39 to 41 on Basement 2 of the Property held by Elegant Wealth Limited.
4. The Property lay within an area zoned "Commercial" under the Draft Central District (HPA 4) Outline Zoning Plan No S/H4/17 gazetted on 24 May 2019 as at the Valuation Date.
 5. Pursuant to Occupation Permit No. H63/92 and the approved building plan of Three Garden Road, each of the 3rd Floor and the 4th Floor of Champion Tower is mainly designated as a restaurant with kitchen. Nevertheless, we have valued the aforesaid portions of the Property on an office use basis and assuming that all necessary approvals have been obtained from the relevant Government authorities for office use.
 6. The rentals reported herein are the total of the face rentals without taking into account any rent-free periods or the turnover rents received, if any.
 7. The breakdown market values in respect of different portions of the Property are set out below.

Use	Market Value as at 31 December 2020 (HKD)
Retail:	607,000,000
Office:	39,582,000,000
Carpark:	576,000,000
Miscellaneous:	367,000,000
Total:	41,132,000,000

8. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (excluding car parking spaces and the licenced miscellaneous premises) as at 31 December 2020 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	1,063,926	86.8%
Vacant	161,259	13.2%
Total	1,225,185	100.0%

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2014	17,575	1.6%	1,845,375	1.6%	1	0.9%
2015	100,644	9.5%	9,865,130	8.3%	4	3.5%
2016	47,746	4.5%	5,022,429	4.2%	4	3.5%
2017	625	0.1%	31,250	0.1%	2	1.6%
2018	135,248	12.7%	16,600,029	13.9%	29	25.2%
2019	365,306	34.3%	40,656,391	34.1%	37	32.2%
2020	396,782	37.3%	45,137,797	37.8%	38	33.1%
Total	1,063,926	100.0%	119,158,401	100.0%	115	100.0%

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2020	2,496	0.2%	312,000	0.3%	1	0.9%
2021	249,355	23.4%	26,644,130	22.4%	37	32.1%
2022	201,749	18.9%	24,811,658	20.8%	34	29.6%
2023	474,096	44.7%	50,617,496	42.5%	36	31.3%
2024	52,257	4.9%	6,480,614	5.4%	3	2.6%
2025	83,973	7.9%	10,292,503	8.6%	4	3.5%
Total	1,063,926	100.0%	119,158,401	100.0%	115	100.0%

Valuation Report

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2	15,301	1.4%	1,872,080	1.6%	9	7.8%
3	642,683	60.3%	75,157,872	63.0%	83	72.3%
4	155,833	14.7%	15,094,462	12.7%	9	7.8%
5	342	0.1%	17,100	0.1%	2	1.7%
6	197,895	18.6%	20,568,854	17.2%	10	8.7%
7	51,872	4.9%	6,448,033	5.4%	2	1.7%
Total	1,063,926	100.0%	119,158,401	100.0%	115	100.0%

* Individual monthly rental may not add up to the same figure as the total due to rounding effect.

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

Note: The above tenancy profile excludes 19 renewal tenancies for terms of approximately six months to three years and six months commencing between June 2021 and April 2024.

9. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding the licenced miscellaneous premises) as at 31 December 2020 is set out below.

Occupancy Profile

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

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2015	30,517	71.7%	1,822,475	64.4%	1	14.3%
2016	6,907	16.2%	293,000	10.4%	1	14.3%
2018	1,798	4.2%	172,608	6.1%	1	14.3%
2019	1,169	2.7%	128,130	4.5%	2	28.5%
2020	2,202	5.2%	413,347	14.6%	2	28.6%
Total	42,593	100.0%	2,829,560	100.0%	7	100.0%

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2021	2,180	5.1%	229,908	8.1%	2	28.6%
2022	787	1.9%	70,830	2.5%	1	14.3%
2023	9,109	21.4%	706,347	25.0%	3	42.8%
2025	30,517	71.6%	1,822,475	64.4%	1	14.3%
Total	42,593	100.0%	2,829,560	100.0%	7	100.0%

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2	382	0.9%	57,300	2.0%	1	14.3%
3	4,787	11.2%	656,785	23.2%	4	57.1%
7	6,907	16.2%	293,000	10.4%	1	14.3%
10	30,517	71.7%	1,822,475	64.4%	1	14.3%
Total	42,593	100.0%	2,829,560	100.0%	7	100.0%

* Individual monthly rental may not add up to the same figure as the total due to rounding effect.

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

Note: The above tenancy profile excludes one supplement to existing lease for a term of two years commencing in June 2021 and one renewal tenancy for a term of two years commencing in June 2023.

Valuation Report

3 OFFICE MARKET OVERVIEW

3.1 Introduction

After entering a technical recession at the end of 2019, Hong Kong's GDP contracted by -1.2% overall in 2019, the first annual decline since the global financial crisis in 2009. This was largely due to the US-China Trade War, as well as the social unrest in the city.

As with most economies around the globe, Hong Kong has been subject to severe adverse economic effects caused by ongoing COVID-19 pandemic with travel bans and social distancing rules in place. Although the economic situation in the third quarter of 2020 showed signs of improvement, a negative GDP growth is forecasted at -6.1% for 2020 with the contraction for the first three quarters standing at -7.2% year-on-year.ⁱ

As such, exports have been negatively affected. Hong Kong's PMI dropped to 43.5 in December 2020 from 50.1 one month prior, however still far exceeding its lowest point of 33.1 in February 2020 at the beginning of the global COVID-19 pandemic. It is also still higher than immediately before the start of the COVID crisis.ⁱⁱ

In light of the current market conditions, sales and leasing activity remains subdued. Considerable amounts of office space stand vacant, especially in core districts like Central. Vacancy rates have increased steadily over the course of 2020. We expect rents and prices to continue to face pressure, especially in the CBD before stabilising later in 2021.

3.2 Office Stock

According to the Rating and Valuation Department, by the end of 2019, the total stock of private office space was more than 132 million sq ft, comprising 65% Grade A, 23% Grade B and 12% Grade C. According to the latest available statistics, completions in 2020 reached about 670,000 sq ft until the end of November 2020. With one month outstanding, this represents a drop of -77% compared to the completions in the full year of 2019.

Central, is located at the harbour's edge and is the territory's central business district. Hong Kong is the third largest financial centre globally and thus Central, as its CBD, hosts a plethora of multinational financial services corporations in grade A office space. The district has approximately 26% of existing total office stock of all grades (35 million sq ft) and 24% of the total stock of Grade A offices (20.5 million sq ft).ⁱⁱⁱ

i Source: Census and Statistics Department

ii Source: Trading Economics

iii Source: Rating and Valuation Department

3.3 Demand

After falling 5.1% QOQ in the third quarter of 2020, overall Grade A office rents declined by another 2.7% in the last quarter of 2020 according to Colliers Office Market Research. Leasing momentum was slow with the overall net take-up staying negative given the weaker economy, with some surrender cases observed across different submarkets.

The overall Grade A office market recorded a negative net take-up of 539,200 sq ft in the third quarter of 2020 followed by a negative net take-up of 106,400 sq ft in the last quarter of the year, amid continued dampened office market sentiment. For the whole year, a negative net take-up of about 1.5 million sq ft has been recorded.^{iv}

With multinational corporations' (MNC) and flexible working operators' decreased appetites for office space, leasing activities are likely to remain subdued in the short-term. In the mid-term, we believe the upcoming IPO pipeline, gradual opening up of China's finance sector, and the cross-border initiatives between Hong Kong and mainland China, should help to attract more PRC firms setting up offices in Hong Kong for financial services and benefit office demand.^v

3.4 Supply

Looking ahead, about 3.15 million sq ft of new office space is expected to be completed in 2021. In this year, almost half of the supply will come from Kowloon City and Eastern district. It is also anticipated that Grade A offices will dominate, with forecast completions in 2021 at 78%.^{vi} It is worth noting that most of the future supply will be located outside the core business districts of Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui.

Hong Kong's Grade A office supply trended down between 2007 and 2016 as a result of a general lack of available sites in core office locations, but it was slightly up between 2016 and 2019, according to the Rating and Valuation Department. In 2015-2019, supply reached an average of 1.9 million sq ft per annum, in the range of the long-term average. With one month of data outstanding, supply of Grade A offices in 2020 recorded a drop of over 80% compared with that in 2019. One of the more notable completions in 2020 was Plaza 88 by Billion Development in Tsuen Wan.

After a year of low supply in 2020, average annual Grade A office supply from 2021 to 2024 will increase to 2.1 million sq ft according to Colliers Research. This is especially due to the completion of major projects between 2022 and 2023.

Valuation Report

3.5 Take-up and vacancy

Vacancy in Grade A offices fluctuated between 3% and 5% from 2010 to 2019. The situation started to change in the middle of 2019 when vacancy rates rose significantly above 5% for first time in almost a decade. Initial market expectations of a contracting vacancy rate due to limited supply in 2020 were unfulfilled due to deteriorating market conditions caused by unresolved trade tensions between China and the US, the city's social unrest in 2019 and the COVID-19 pandemic in 2020. The overall vacancy rate in Grade A offices rose to around 9.4% at the end of 2020, representing the highest vacancy rate in a decade and an increase of 0.5% QOQ and 2.8% YOY^{vii}.

Overall net take-up remained negative in the fourth quarter of 2020 with 106,400 sq ft, representing the sixth consecutive quarter with negative net take-up. In spite of most districts showing negative net take-ups in Q4 2020, Kowloon East in recorded a positive net take-up of 61,500 sq ft^{viii}.

Driven by the negative market sentiment, the Grade A office vacancy rate in most areas of Hong Kong increased. In the fourth quarter of 2020, the vacancy rate in Central/Admiralty increased from 7.2% to 7.7% QOQ while that in Wan Chai/Causeway Bay decreased slightly from 7.2% to 6.8% QOQ.^{ix}

3.6 Rental trends

Overall office rents remained under pressure given the vacancy rise as more MNC firms have been downsizing their space. As a consequence, rents decreased by further in the fourth quarter of 2020.^x The negative economic growth resulting from the COVID-19 pandemic is likely to continue to weigh on the office market.

According to the Rating and Valuation Department, the average Grade A office rent in Hong Kong rose by about 24% from 2015 to 2019. Overall Grade A office rents in core districts reached an all-time high in the second quarter of 2019 before hitting a turning point, with subsequent quarterly decreases. In the fourth quarter of 2020, Grade A office rents recorded a decrease of 2.7% QOQ and thus plunged by about 16% YOY^{xi}.

Rents in West Kowloon and Tsim Sha Tsui decreased most notably at 6.7% and 5.0% QOQ, respectively, in the fourth quarter of 2020 as a result of weakening demand. Rents in Central/Admiralty performed slightly above par but still decreased 2.5% in Q4 2020 and 17.9% for the whole year. Rents for Grade A offices are expected to face continued pressure in the beginning of 2021 as a recovery of the economy is not expected until at least later in 2021.^{xii}

3.7 Price trends

Grade A office prices increased by more than 42% between 2013 and 2018, according to the Rating and Valuation Department. However, since the beginning of 2019 prices started to fall and as of November 2020, prices had decreased by around 20% from their high point in 2018.

According to Colliers Research and Real Capital Analytics (RCA), the office sales transaction volume declined significantly in the third quarter of 2020 by 79% QOQ and 73% YOY to HKD2.6 billion due to challenging market dynamics caused by the COVID-19 pandemic and subsequent cautious investment strategies adopted in the market. The price index for strata-title offices declined 3.5% QOQ in the third quarter of 2020, underpinning the subdued investment momentum. With the short-term effects of a significant economic downturn, a drop of 15% is expected for 2020 as a whole, with a moderate U-shaped recovery starting later in 2021^{xiii}.

3.8 Outlook

Even though the geopolitical tension and uncertainties prior to the US presidential elections might slightly decrease, the economic impact of COVID-19 both locally and globally, should prompt investors to stay cautious and delay investment decisions in the beginning of 2021. We expect the Hong Kong investment market to be mainly driven by local and Mainland Chinese capital in the next 2-3 years. Furthermore, we expect to see more activities coming from private equity investors, with investment appetite remaining solid among those who have raised funds and are loaded with dry powder, looking for purchase opportunities to deploy capital.

Overall, we expect more transactions compared to the low base of 2020, as the investors are adapting to the market conditions amid a global pandemic. The low-interest-rate prospects as well as the recently announced LTV relaxation policy and abolition of the Doubled Ad Valorem Stamp Duty on commercial property transactions should bring support to the market, especially for strata-title units.

In the rental market, we expect landlords to face more competition in backfilling the returned spaces amid the sluggish economy outlook and high vacancy with MNCs' expansion plans on hold. However, we believe the upcoming IPO pipeline, gradual opening up of China's finance sector, and the cross-border initiatives between Hong Kong and mainland China, should help to attract more PRC firms setting up offices in Hong Kong for financial services and benefit office demand.

In the short term, CBD rents will likely further decline in the face of negative net take-up and it is therefore likely that the downward trend in office rents will persist in the coming months. Rents in non-core markets such as Island East are likely to be less affected because of a persisting decentralisation trend, as well as improved accessibility and the relatively attractive rental levels compared to the CBD.

Valuation Report

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27 January 2021

EAGLE ASSET MANAGEMENT (CP) LIMITED

SUITE 3008, 30/F, GREAT EAGLE CENTRE
23 HARBOUR ROAD
WANCHAI
HONG KONG
(THE MANAGER FOR CHAMPION REAL ESTATE INVESTMENT TRUST "CHAMPION REIT")

AND

HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED

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

Dear Sir/Madam,

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

1.1 Instructions

In accordance with the instructions for us to value the Property, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the leasehold interests in the Property in its existing state as at 31 December 2020 (the "Valuation Date") for reporting purposes.

1.2 Valuer's Interest

We hereby confirm that:

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

1.3 Basis of Valuation

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

1.4 Valuation Standards

The valuations have been carried out in accordance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors, and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in August 2014.

1.5 Valuation Rationale

In the course of our valuations, we have adopted the **Income Approach – Term and Reversion Method**. This valuation method estimates the value of properties or assets on a market basis by capitalising net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deductions are made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses. Our adopted capitalisation rate for the retail and office accommodation is 4.0% and 4.1%, respectively.

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

Valuation Report

1.6 Title Investigations

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

1.7 Sources of Information

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

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

1.8 Site Measurement

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

1.9 Site Inspections

We have inspected the exteriors and the interiors of the Property. Our inspections of the Property were carried out by Stella Ho (MRICS and MHKIS) on 18 December 2020. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuations have been prepared on the assumption that these aspects are satisfactory.

1.10 Caveats and Assumption

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

No allowances have been made in our valuations for any charges, mortgages or amounts owing either on the Property or for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values.

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

We have made the following assumptions:

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

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

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

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Limited

Stella Ho
BSSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA
Registered Real Estate Appraiser PRC
Senior Director
Valuation & Advisory Services

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region (Hong Kong). She is suitably qualified to carry out the valuation and has over 20 years' experience in the valuation of properties of this magnitude and nature.

Valuation Report

2 VALUATION PARTICULARS

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020	Estimated Net Property Yield
(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street,	Langham Place is a retail/office/hotel/ carpark complex erected on two rectangular sites, separated by Shanghai Street. Completed in 2004, the Property stands on the lot with a total registered site area of about 11,976 sq m (128,910 sq ft). A 59-level tower stands on the eastern site, comprising 46 levels of office, 4 levels of shop, 5 mechanical floors, 2 refuge floors and 2 roof floors, and a 15-storey retail building, including 2 basement levels, erected over 3 levels of basement carpark.	The office portion of the Property is let under various tenancies mostly for terms of three years with the latest expiry date in April 2025, yielding a total monthly rental income of approximately HKD30.41 million, exclusive of rates, management and air-conditioning charges. A number of tenancies contain options to renew for further terms at the then prevailing market rents.	HKD26,186,000,000 (Hong Kong Dollars Twenty-Six Billion One Hundred and Eighty-Six Million Only)	4.1%
(2) Retail Block, Langham Place, 8 Argyle Street,	Standing on the western site are government, institution and community facilities, public open space and a hotel built over 2 levels of basement car park are provided.	The retail portion of the Property is let under various tenancies mostly for terms of three years with the latest expiry date in Sep 2025, yielding a total monthly basic rent of approximately HKD54.71 million, exclusive of rates, management and air-conditioning charges. Most of the tenancies are subject to turnover rents. The average monthly turnover rent receivable during the period from Nov 2019 to Oct 2020 was approximately HKD2.02 million.		
(3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon.	Two covered footbridges and an underground vehicle tunnel across Shanghai Street connect the buildings erected on the two separate sites.	The occupancy rates of the office and retail portions are approximately 88.7% and 99.99%, respectively.		
1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No 11099.				

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020	Estimated Net Property Yield
	<p>The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street, except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005), and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq m (702,911 sq ft).</p>	<p>The carpark operates as a fee-paying public carpark let on both a monthly and hourly basis. The total average monthly gross income receivable during the period from January 2020 to October 2020 was approximately HKD1.75 million.</p>		
	<p>The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq m (589,844 sq ft) and a Gross Rentable Area of approximately 29,641.12 sq m (319,057 sq ft).</p>	<p>Miscellaneous income generated from lightboxes, signage spaces and other miscellaneous items yields an average monthly licence fee of approximately HKD1.12 million.</p>		
	<p>The Property also consists of a carpark at the basement levels, 8 Argyle Street, and 555 and 557 Shanghai Street accommodating a total of 250 car parking spaces.</p>			
	<p>Kowloon Inland Lot No. 11099 is held from the Government under the Conditions of Exchange No. UB12557 for a term from 18 February 2000 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>			

Valuation Report

Notes:

1. The registered owner of the Property is Benington Limited as at the Valuation Date.
2. The Property comprises the Reserved Area defined in the Deed of Mutual Covenant and Management Agreement dated 27 June 2005 as those parts of the Development not specifically included in the Government Accommodation or any Component, the Development CAF or HB/Retail CAF (all terms as defined in the said Deed of Mutual Covenant and Management Agreement) and reserved for the exclusive use and enjoyment of Benington Limited.
3. For the office portion of the Property, the Gross Rental Area is equal to the Total Floor Area.
4. The Property lies within an area zoned "Commercial (2)" under the Approved Mong Kok (KPA 3) Outline Zoning Plan No S/K3/32 gazetted on 18 October 2019 as at the Valuation Date.
5. The rentals reported herein are the total of the face rental without taking into account any rent-free periods or the turnover rents received, if any.
6. The breakdown of market values in respect of different portions of the Property are set out below.

Use	Market Value as at 31 December 2020 (HKD)
Office:	9,055,000,000
Retail:	16,628,000,000
Carpark:	302,000,000
Miscellaneous:	201,000,000
Total:	26,186,000,000

7. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2020 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	623,265	88.7%
Vacant	79,646	11.3%
Total	702,911	100.0%

Lease Commencement Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of total	(HKD)	% of total		% of total
2016	85,863	13.8%	3,857,243	12.7%	5	6.8%
2017	2,771	0.4%	124,695	0.4%	1	1.4%
2018	154,213	24.7%	7,475,775	24.6%	20	27.4%
2019	212,399	34.1%	10,885,414	35.8%	24	32.9%
2020	168,019	27.0%	8,068,178	26.5%	23	31.5%
Total	623,265	100.0%	30,411,304	100.0%	73	100.0%

Lease Expiry Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of total	(HKD)	% of total		% of total
2020	15,048	2.4%	832,606	2.7%	1	1.4%
2021	72,419	11.6%	3,538,020	11.6%	17	23.3%
2022	124,266	19.9%	5,813,976	19.2%	13	17.8%
2023	241,681	38.8%	11,482,983	37.8%	29	39.7%
2024	144,933	23.3%	7,483,695	24.6%	9	12.3%
2025	24,918	4.0%	1,260,025	4.1%	4	5.5%
Total	623,265	100.0%	30,411,304	100.0%	73	100.0%

Lease Duration Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of total	(HKD)	% of total		% of total
1	6,856	1.1%	340,754	1.1%	2	2.7%
2	25,967	4.2%	1,305,256	4.3%	5	6.8%
3	237,229	38.0%	11,473,374	37.7%	36	49.4%
4	56,173	9.0%	2,677,424	8.8%	5	6.8%
5	195,002	31.3%	9,823,846	32.3%	21	28.8%
6	102,038	16.4%	4,790,651	15.8%	4	5.5%
Total	623,265	100.0%	30,411,304	100.0%	73	100.0%

* Individual monthly rental may not add up to the same figure as the total due to rounding effect.

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

Note: The above tenancy profile excludes three tenancies and licenses for terms of approximately 2 months to three years commencing between November 2020 and August 2021.

Valuation Report

8. Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding car parking spaces and the licenced miscellaneous premises) as at 31 December 2020 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	319,031	99.99%
Landlord Occupied	26	0.01%
Vacant	0	0.0%
Total	319,057	100.00%

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	*Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2014	44,740	14.0%	5,443,118	10.0%	1	0.5%
2015	5,479	1.7%	681,787	1.3%	2	1.0%
2016	5,132	1.6%	409,280	0.8%	2	1.0%
2017	22,697	7.1%	4,283,087	7.8%	6	2.9%
2018	56,806	17.8%	16,230,077	29.6%	33	16.2%
2019	103,213	32.4%	20,003,793	36.5%	87	42.6%
2020	80,964	25.4%	7,663,318	14.0%	73	35.8%
Total	319,031	100.0%	54,714,460	100.0%	204	100.0%

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	*Monthly Rental# (HKD)	% of total	No. of Tenancies	% of total
2020	2,760	0.9%	0	0.0%	2	1.0%
2021	110,565	34.6%	18,806,566	34.4%	75	36.8%
2022	95,994	30.1%	19,812,377	36.1%	81	39.6%
2023	31,605	9.9%	7,169,922	13.1%	35	17.2%
2024	59,982	18.8%	7,252,748	13.3%	8	3.9%
2025	18,125	5.7%	1,672,847	3.1%	3	1.5%
Total	319,031	100.0%	54,714,460	100.0%	204	100.0%

Lease Duration Profile

Year	Gross Rentable Area		*Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of total	(HKD)	% of total		% of total
1	44,164	13.8%	1,666,830	3.1%	27	13.2%
2	14,314	4.5%	1,700,219	3.1%	24	11.8%
3	122,813	38.5%	33,219,828	60.6%	121	59.3%
4	36,227	11.4%	3,793,761	6.9%	18	8.8%
5	41,195	12.9%	7,105,916	13.0%	9	4.4%
6	15,578	4.9%	1,784,788	3.3%	4	2.0%
10	44,740	14.0%	5,443,118	10.0%	1	0.5%
Total	319,031	100.0%	54,714,460	100.0%	204	100.0%

* Individual monthly rental may not add up to same figure as the total due to rounding effect.

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

Note: The above tenancy profile excludes six renewal tenancies for terms of approximately six months to three years commencing between February 2021 and April 2021.

3 OFFICE MARKET OVERVIEW

3.1 Introduction

After entering a technical recession at the end of 2019, Hong Kong's GDP contracted by -1.2% overall in 2019, the first annual decline since the global financial crisis in 2009. This was largely due to the US-China Trade War, as well as the social unrest in the city.

As with most economies around the globe, Hong Kong has been subject to severe adverse economic effects caused by ongoing COVID-19 pandemic with travel bans and social distancing rules in place. Although the economic situation in the third quarter of 2020 showed signs of improvement, a negative GDP growth is forecasted at -6.1% for 2020 with the contraction for the first three quarters standing at -7.2% year-on-year.ⁱ

As such, exports have been negatively affected. Hong Kong's PMI dropped to 43.5 in December 2020 from 50.1 one month prior, however still far exceeding its lowest point of 33.1 in February 2020 at the beginning of the global COVID-19 pandemic. It is also still higher than immediately before the start of the COVID crisis.ⁱⁱ

In light of the current market conditions, sales and leasing activity remains subdued. Considerable amounts of office space stand vacant, especially in core districts like Central. Vacancy rates have increased steadily over the course of 2020. We expect rents and prices to continue to face pressure, especially in the CBD before stabilising later in 2021.

ⁱ Source: Census and Statistics Department

ⁱⁱ Source: Trading Economics

Valuation Report

3.2 Office Stock

According to the Rating and Valuation Department, by the end of 2019, the total stock of private office space was more than 132 million sq ft, comprising 65% Grade A, 23% Grade B and 12% Grade C. According to the latest available statistics, completions in 2020 reached about 670,000 sq ft until the end of November 2020. With one month outstanding, this represents a drop of -77% compared to the completions in the full year of 2019.

Yau Ma Tei/Mong Kok district is a preferred office location for trading, consumer goods and insurance companies. The district has approximately 7% of existing total office stock of all grades (9.1 million sq ft) and 4.1% of the total stock of Grade A offices (3.6 million sq ft). At the end of 2019, Yau Ma Tei/Mong Kok, together with the other decentralised office hubs including Kwun Tong in Kowloon, North Point and Quarry Bay on Hong Kong Island, as well as Kwai Tsing and Tsuen Wan in the New Territories, accounted for around 37.5% of total Grade A office stock.ⁱⁱⁱ

3.3 Demand

After falling 5.1% QOQ in the third quarter of 2020, overall Grade A office rents declined by another 2.7% in the last quarter of 2020 according to Colliers Office Market Research. Leasing momentum was slow with the overall net take-up staying negative given the weaker economy, with some surrender cases observed across different submarkets.

The overall Grade A office market recorded a negative net take-up of 539,200 sq ft in the third quarter of 2020 followed by a negative net take-up of 106,400 sq ft in the last quarter of the year, amid continued dampened office market sentiment. For the whole year, a negative net take-up of about 1.5 million sq ft has been recorded.^{iv}

With multinational corporations' (MNC) and flexible working operators' decreased appetites for office space, leasing activities are likely to remain subdued in the short-term. In the mid-term, we believe the upcoming IPO pipeline, gradual opening up of China's finance sector, and the cross-border initiatives between Hong Kong and mainland China, should help to attract more PRC firms setting up offices in Hong Kong for financial services and benefit office demand.^v

iii Source: Rating and Valuation Department

iv-v Source: Colliers Research

3.4 Supply

Looking ahead, about 3.15 million sq ft of new office space is expected to be completed in 2021. In this year, almost half of the supply will come from Kowloon City and Eastern district. It is also anticipated that Grade A offices will dominate, with forecast completions in 2021 at 78%.^{vi} It is worth noting that most of the future supply will be located outside the core business districts of Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui.

Hong Kong's Grade A office supply trended down between 2007 and 2016 as a result of a general lack of available sites in core office locations, but it was slightly up between 2016 and 2019, according to the Rating and Valuation Department. In 2015-2019, supply reached an average of 1.9 million sq ft per annum, in the range of the long-term average. With one month of data outstanding, supply of Grade A offices in 2020 recorded a drop of over 80% compared with that in 2019. One of the more notable completions in 2020 was Plaza 88 by Billion Development in Tsuen Wan.

After a year of low supply in 2020, average annual Grade A office supply from 2021 to 2024 will increase to 2.1 million sq ft according to Colliers Research. This is especially due to the completion of major projects between 2022 and 2023.

3.5 Take-up and vacancy

Vacancy in Grade A offices fluctuated between 3% and 5% from 2010 to 2019. The situation started to change in the middle of 2019 when vacancy rates rose significantly above 5% for first time in almost a decade. Initial market expectations of a contracting vacancy rate due to limited supply in 2020 were unfulfilled due to deteriorating market conditions caused by unresolved trade tensions between China and the US, the city's social unrest in 2019 and the COVID-19 pandemic in 2020. The overall vacancy rate in Grade A offices rose to around 9.4% at the end of 2020, representing the highest vacancy rate in a decade and an increase of 0.5% QOQ and 2.8% YOY^{vii}.

Overall net take-up remained negative in the fourth quarter of 2020 with 106,400 sq ft, representing the sixth consecutive quarter with negative net take-up. In spite of most districts showing negative net take-ups in Q4 2020, Kowloon East in recorded a positive net take-up of 61,500 sq ft.^{viii}

Driven by the negative market sentiment, the Grade A office vacancy rate in most areas of Hong Kong increased. In the fourth quarter of 2020, the vacancy rate in Central/Admiralty increased from 7.2% to 7.7% QOQ while that in Wan Chai/Causeway Bay decreased slightly from 7.2% to 6.8% QOQ. Vacancy rates in Mong Kok barely changed QOQ, standing at 13.8% at the end of 2020.^{ix}

Valuation Report

3.6 Rental trends

Overall office rents remained under pressure given the vacancy rise as more MNC firms have been downsizing their space. As a consequence, rents decreased by further in the fourth quarter of 2020.^x The negative economic growth resulting from the COVID-19 pandemic is likely to continue to weigh on the office market.

According to the Rating and Valuation Department, the average Grade A office rent in Hong Kong rose by about 24% from 2015 to 2019. Overall Grade A office rents in core districts reached an all-time high in the second quarter of 2019 before hitting a turning point, with subsequent quarterly decreases. In the fourth quarter of 2020, Grade A office rents recorded a decrease of 2.7% QOQ and thus plunged by about 16% YOY.^{xi}

Rents in West Kowloon and Tsim Sha Tsui decreased most notably at 6.7% and 5.0% QOQ, respectively, in the fourth quarter of 2020 as a result of weakening demand. Rents in Mong Kok performed slightly above par but still decreased 2.5% in Q4 2020 and 10.5% for the whole year. Rents for Grade A offices are expected to face continued pressure in the beginning of 2021 as a recovery of the economy is not expected until at least later in 2021.^{xii}

3.7 Price trends

Grade A office prices increased by more than 42% between 2013 and 2018, according to the Rating and Valuation Department. However, since the beginning of 2019 prices started to fall and as of November 2020, prices had decreased by around 20% from their high point in 2018.

According to Colliers Research and Real Capital Analytics (RCA), the office sales transaction volume declined significantly in the third quarter of 2020 by 79% QOQ and 73% YOY to HKD2.6 billion due to challenging market dynamics caused by the COVID-19 pandemic and subsequent cautious investment strategies adopted in the market. The price index for strata-title offices declined 3.5% QOQ in the third quarter of 2020, underpinning the subdued investment momentum. With the short-term effects of a significant economic downturn, a drop of 15% is expected for 2020 as a whole, with a moderate U-shaped recovery starting later in 2021.^{xiii}

3.8 Outlook

Even though the geopolitical tension and uncertainties prior to the US presidential elections might slightly decrease, the economic impact of COVID-19 both locally and globally, should prompt investors to stay cautious and delay investment decisions in the beginning of 2021. We expect the Hong Kong investment market to be mainly driven by local and Mainland Chinese capital in the next 2-3 years. Furthermore, we expect to see more activities coming from private equity investors, with investment appetite remaining solid among those who have raised funds and are loaded with dry powder, looking for purchase opportunities to deploy capital.

Overall, we expect more transactions compared to the low base of 2020, as the investors are adapting to the market conditions amid a global pandemic. The low-interest-rate prospects as well as the recently announced LTV relaxation policy and abolition of the Doubled Ad Valorem Stamp Duty on commercial property transactions should bring support to the market, especially for strata-title units.

In the rental market, we expect landlords to face more competition in backfilling the returned spaces amid the sluggish economy outlook and high vacancy with MNCs' expansion plans on hold. However, we believe the upcoming IPO pipeline, gradual opening up of China's finance sector, and the cross-border initiatives between Hong Kong and mainland China, should help to attract more PRC firms setting up offices in Hong Kong for financial services and benefit office demand.

In the short term, CBD rents will likely further decline in the face of negative net take-up and it is therefore likely that the downward trend in office rents will persist in the coming months. Rents in non-core markets such as Island East are likely to be less affected because of a persisting decentralisation trend, as well as improved accessibility and the relatively attractive rental levels compared to the CBD.

4 RETAIL MARKET OVERVIEW

4.1 Introduction

The retail market has been experiencing a significant downturn since the second quarter of 2019 caused initially by the city's social unrest and since early 2020 by the global COVID-19 pandemic and its adverse implications. However, after the drops of around 40% YOY in early and mid-2020, the total retail sales value and index as at November 2020 showed signs of slight recovery, only decreasing by 4.0% and 4.7% YOY, respectively according to the Census and Statistics Department. Overall, it is expected that the retail sector will remain weak in the foreseeable future as social distancing rules and travel restrictions will likely remain in place and dampen economic market conditions. With the exception of the long-term positive trend for e-commerce, which is reshaping the retail market, unresolved US-China tensions are still weighing on the overall economic sentiment in the city.

Valuation Report

4.2 Retail Stock

According to the Rating and Valuation Department, total stock at the end of 2019 amounted to almost 124 million sq ft.

A popular shopping and entertainment spot for both visitors and locals, Yau Tsim Mong (which includes Tsim Sha Tsui, Yau Ma Tei and Mong Kok Districts) hosts a concentration of major shopping malls, including Harbour City in Tsim Sha Tsui and Langham Place in Mong Kok. Mong Kok is particularly popular among local youngsters and tourists, and is characterised by a balanced mix of street shop clusters. By the end of November 2020, total private commercial stock in the Yau Tsim Mong area amounted to around 23.6 million sq ft, representing 46% of total stock in Kowloon and 19% of that in Hong Kong as a whole.

4.3 Supply

According to the Rating and Valuation Department, the supply of retail property underwent continuous growth between 2015 and 2019, providing an average of approximately 1.4 million sq ft per annum. After a slight decrease in 2017, an almost 19% increment in completions in 2018 was followed by a 6% decrease in 2019. The Kowloon area contributed 33% of the total supply in 2019, of which Yau Tsim Mong accounted for the largest proportion at 22% of the total supply.

After a decline in supply of around 300,000 sq ft from the average of 1.4 million sq ft in 2020, 1.05 million sq ft of retail space is to be completed in 2021, representing another year of below average supply. Yau Tsim Mong, Kwun Tong as well as Central & Western districts each contributed around 8% to the supply in 2020, while the main sources of supply were Sha Tin and Tsuen Wan. These two districts accounted for 29% and 21% of the total completions, respectively.

4.4 Take-up and vacancy

Take-up in the past decade averaged around 423,500 sq ft per annum. The take-up showed a downward trend between 2013 and 2016 due to softened retail market sentiment before rebounding in 2017 and 2018, reaching about 824,500 sq ft and 491,900 sq ft, respectively. In 2019, take-up remained positive, though at a lower level compared to the previous two years at around 89,300 sq ft. The vacancy rate edged up to 10.1% in 2019 due to softer retail sales partly caused by the city's social unrest.^{xiv}

Retail sales showed a significant drop over the course of 2020 mainly caused by the global COVID-19 pandemic. Some retail shops have been forced to close their doors leading to a significant decline in retail sales value. It is expected that take-up will remain subdued in early 2021 causing vacancy rates to rise.

4.5 Rental trends

The trend of rental decline seen since the third quarter of 2019 started with the city's social unrest and has solidified in 2020, magnified by the adverse effects of the COVID-19 pandemic. According to the Census and Statistics Department, retail sales of electrical goods and other consumer durables from January to November 2020 declined 16% YOY while sales of jewellery, watches, clocks and valuable gifts fell by 55%. Due to travel restrictions and requirements imposed to contain the coronavirus pandemic, tourist arrivals came to an almost complete halt, collapsing by 99.8% YOY in November 2020 to under 6,000 visitors, of which around 60% were from Mainland China. As social distancing measures and travel restrictions will likely remain in place for some time, it is expected that retail sales levels will generally remain low in 2021.

Overall high-street rents fell 9.3% QOQ in the second quarter of 2020. Central and Causeway Bay recorded the highest falls of 14.0% and 8.6% QOQ, respectively, closely followed by rents in Tsim Sha Tsui, which declined by 8.4% QOQ. Rents in Central declined most in the second quarter of 2020 as the district is home to a high proportion of large shops that are not owner-operated, with international retailers being hesitant to sign new leases requiring hefty deposits amid current market conditions. It is expected that the retail market will remain weakened and rents will not start to strongly recover until a reopening of the border and resumption of free travel as they are crucial for Hong Kong's retail sector. Retailers' expansion and relocation plans are thus likely to be deferred.

4.6 Price trends

Prices of retail properties experienced robust growth between 2010 and 2013, averaging an increase of 27% per annum, according to the Rating and Valuation Department. Growth slowed in 2014 and picked up again towards the end of 2015. Following a fall in price levels in 2016 in a softened retail market, the market regained momentum in 2017 and 2018. However, prices started to decline from the first quarter of 2019 and intensified with the city's social unrest and the COVID-19 pandemic. According to the Rating and Valuation Department, the price index dropped at a moderate 1.3% YOY in November 2020. Retail investors remained cautious in the face of volatile economics and the COVID-19 pandemic.

4.7 Outlook

In 2019, the prolonged US-China trade tensions and the continuing demonstrations in Hong Kong impacted tourist arrivals, causing retail sales to fall significantly. The situation deteriorated rapidly due to the imposition of social distancing measures and travel restrictions in response to the COVID-19 pandemic in 2020. The situation will likely persist should market conditions remain similar. It is expected that the retail market will remain weak as rents experienced a double-digit percentage decline in 2020. Colliers expects high-street retail rents to start a strong recovery once social distancing measures and travel restrictions are lifted, earliest in the course of 2021.

Our view is that local consumption can rebound in the short term once the fourth wave of locally transmitted COVID-19 infections subsides which will help the retail sector, but for the medium term at least, the return of 2018 visitor and rental levels may be some way off.

Going forward, online-to-offline strategies remain important for retailers to better support the shopping experience in their physical stores, while landlords will likely focus more on supermarkets, department stores, home living and light refreshment to cater for local demand.

Trustee's Report

TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST

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

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009, the fourth supplemental deed dated 23 July 2010, the fifth supplemental deed dated 13 March 2012, the sixth supplemental deed dated 23 January 2015 and the seventh supplemental deed dated 1 June 2017 for the financial year ended 31 December 2020.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 18 February 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES AND FRAMEWORK

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 emphasises 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 (the “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.

The major activities during the year 2020 and up to the date of this report are set out below:

<p>Establishment of a Finance and Strategic Planning Committee</p>	<p>A Finance and Strategic Planning Committee was established on 18 February 2021. It is delegated by the Board of the REIT Manager with the responsibility to enhance the corporate governance and control in respect of the financial performance and strategic planning of the REIT Manager and Champion REIT including its special purpose vehicles and, if appropriate, joint venture entities (collectively the “Group”).</p>
<p>Updated/Established various Governance and Control Procedures</p>	<p>During the year, various governance and control procedures of the REIT Manager for use in relation to the management of Champion REIT were updated/established, namely:</p> <ul style="list-style-type: none"> • Procedures for Common Reporting Standard which provide operational guidance for the REIT Manager to comply with the requirements under the Inland Revenue (Amendment) (No. 3) Ordinance 2016. • Guideline on US Foreign Account Tax Compliance Act to monitor the compliance of FATCA for Champion REIT and/or its special purpose vehicles. • Sanction Screening Procedures which provide operational guidance for the pertinent employees of the REIT Manager on the subjects of sanction screening to prevent terrorist financing and sanction violations. • Code of Conduct which sets out the basic standards of behaviour expected of all employees and the REIT Manager’s policy on matters like acceptance of advantages and declaration of conflict of interest by employees in connection with their official duties. • Unitholder Communication Policy which is designated to promote effective engagement with the Unitholders of Champion REIT. • Whistleblowing Policy which provides guidelines and channels on reporting possible improprieties in matters of financial reporting or other matters, and reassurance to the whistleblowers. • Staff Dealing Policy which is designated to prevent unethical business and legal conflicts and to guard against the misuse of proprietary, confidential and insider information.

Corporate Governance Report

Changes in Board Composition	Mr Cha Mou Sing, Payson, an Independent Non-executive Director of the REIT Manager, passed away on 6 November 2020 (PST). Announcement in relation thereto was made on 9 November 2020.
	Ms Wong Mei Ling, Marina was appointed as a Non-executive Director of the REIT Manager with effect from 23 October 2020. Announcement in relation thereto was made on 23 October 2020.
Amendments to the Operations Manual	The Operations Manual of the REIT Manager was updated in April and June 2020 respectively to reflect the existing operational structures and practices and update the criteria for investment in fixed income securities so as to cater and regulate the receipt of rental payment in scrip in lieu of cash from tenants listed on the Stock Exchange.

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.

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.

GOVERNANCE PRACTICES

Roles of the Trustee and the REIT Manager

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

Under the regulatory regime of SFC by classification of eight core functions, the Board has assigned each of the core functions to the designated management person as the Manager-In-Charge (“MIC”). Each of the MICs has acknowledged the appointment and particular responsibility. The core functions and the respective MICs according to the SFC Circular are set out below:

Function	MIC(s)
1. Overall Management Oversight	Chief Executive Officer
2. Key Business Line	Chief Executive Officer
3. Operational Control and Review	Chief Operating Officer – Asset Management and Senior Internal Audit Manager
4. Finance and Accounting	Finance Director and Business Development Director
5. Risk Management	Senior Internal Audit Manager
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

Corporate Governance Report

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of five Directors and a maximum of thirteen Directors. The Board currently comprises seven members, with one Executive Director and three Non-executive Directors and three Independent Non-executive Directors.

During the year, Ms Wong Mei Ling, Marina was appointed as a Non-executive Director of the REIT Manager with effect from 23 October 2020. Ms Wong had been acting as the officer in charge of the corporate secretary of the REIT Manager since July 2008. Given the existing relationship with the REIT Manager, Ms Wong was familiar with the specific governance and compliance structure of real estate investment trusts, and is a useful addition to improve the governance and control function and enhance board diversity of the REIT Manager with 28.6% of the Board seats are now held by female directors.

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

Non-executive Directors

LO Ka Shui (*Chairman*)

IP Yuk Keung, Albert

WONG Mei Ling, Marina

(appointed on 23 October 2020)

Executive Director

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

Independent Non-executive Directors

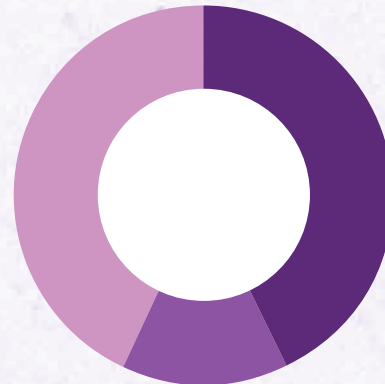
CHA Mou Sing, Payson

(passed away on 6 November 2020 (PST))

CHENG Wai Chee, Christopher

HO Shut Kan

SHEK Lai Him, Abraham



- 42.9% Non-executive Director
- 14.2% Executive Director
- 42.9% Independent Non-executive Director

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

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

Dr Lo Ka Shui is the chairman and non-executive director of LHIL Manager Limited (Trustee-Manager of the publicly listed Langham Hospitality Investments) and Langham Hospitality Investments Limited ("Langham"), of which Great Eagle Holdings Limited ("Great Eagle") has a 69.24% interests. Ms Wong Mei Ling, Marina is the company secretary of Great Eagle and Langham. Save as disclosed above, there are no other financial, business, family or other material or relevant relationships between Board members.

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

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

Corporate Governance Report

Board Responsibilities

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

Key Reserved Matters must be first considered by the full Board

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

Independence

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

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

Among the Board members of the REIT Manager, three of them have interlocking directorship with other Directors. Given that each of them plays a non-executive role and holds less than 1% of the number of issued shares in each of the relevant companies, the Board considers that such interlocking directorship would not undermine their independence with respect to their directorships at the REIT Manager.

In addition, the Board is of the view that all of them have strong experience in corporate governance and are familiar with management of listed public companies in Hong Kong. They have demonstrated their good understanding of the culture and control environment of the REIT Manager and have the ability to continually provide constructive challenge for management and other Directors and to express their independent views to facilitate the decision-making process of the Board. During the financial year ended 31 December 2020, they have participated in all Board meetings to give impartial advice and exercise independent judgement and two of them have served on various board committees but all of them have never engaged in any executive management.

Besides, in accordance with the requirements of the Articles of Association of the REIT Manager, each of the Directors has to disclose his/her interest, if any, in the matters to be considered at the Board meetings. A Director shall abstain from voting in respect of any transaction, contract or arrangement in which he/she is interested.

In view of the aforesaid factors, the Board considers that all of them remain independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

Continuing Professional Development

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

During the year ended 31 December 2020, the Directors received information packages with focus on the topics of updates on the latest development and changes on the Listing Rules and SFO and other relevant legal and regulatory requirements, corporate governance, compliance, risk management, directors duties and global trend. Each of the Directors has confirmed that they have participated in no less than 10 training hours during the year ended 31 December 2020, and all the Directors have provided confirmation on their respective training records to the REIT Manager.

All members of the senior management also have provided confirmation on their respective training records to the REIT Manager and each of them have participated in no less than 10 training hours during the year ended 31 December 2020.

Corporate Governance Report

Directors' Time Commitments

During the year ended 31 December 2020, each of the Directors has confirmed that they have spent sufficient time and attention to the affairs of Champion REIT.

Supply of and Access to Information

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

Induction

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

Independent Professional Advice

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

Insurance

During the year ended 31 December 2020, appropriate directors' and officers' liabilities insurance and professional indemnity insurance have been arranged in respect of legal action against the Directors and officers of the REIT Manager and the provision of professional services by the REIT Manager to the Trust.

Directors' Interests in Transactions, Arrangements or Contracts

Other than as disclosed in this report and previous disclosures (including announcements, circulars and Offering Circular) issued by the REIT Manager, there are no transaction, arrangement or contract of significance that requires to be disclosed in accordance with the Listing Rules and REIT Code subsisting during or at the end of the year in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

Disclosure on Remuneration

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

Pursuant to the announcement of Champion REIT dated 30 November 2012 and according to Clause 11.1.2 of the Trust Deed in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 50% of the Manager's Fee arising from the real estate owned by Champion REIT for the financial year 2020 in the form of Units and the remaining 50% in cash. The Manager's Fee for the year ended 31 December 2020 amounted to approximately HK\$282 million, being 12% of the net property income of Champion REIT for such services rendered during the year.

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

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

Corporate Governance Report

Delegation and Board Committees

The Board of the REIT Manager may establish Board committees with clear terms of reference to review specific issues or items. The four standing Board committees established are the Audit Committee, Disclosures Committee, Nomination Committee and Finance and Strategic Planning Committee.

The REIT Manager established the Finance and Strategic Planning Committee in February 2021 to enhance the corporate governance and control in respect of the financial performance and strategic planning of the REIT Manager and the Group. The Finance and Strategic Planning Committee comprises two Non-executive Directors (namely Dr Lo Ka Shui and Ms Wong Mei Ling, Marina) and an Executive Director (namely Ms Wong Ka Ki, Ada). Dr Lo is the Chairman of the Committee.

Board of Directors			
Audit Committee	Disclosures Committee	Nomination Committee	Finance and Strategic Planning Committee
<ul style="list-style-type: none"> Oversee financial reporting Review the quality and integrity of risk management and internal control Maintain relationship with external auditor Oversee compliance with applicable legal and regulatory requirements Review all connected party transactions 	<ul style="list-style-type: none"> Review and make recommendation to the corporate disclosure issues Oversee compliance with applicable legal requirements and the appropriateness of information disseminated 	<ul style="list-style-type: none"> Oversee the Board structure, size and composition Assess the independence of the Independent Non-executive Directors Make recommendations on the appointment or re-appointment of Directors and succession planning 	<ul style="list-style-type: none"> Review financial strategy and budget setting strategy Make recommendations on proposed acquisitions and/or disposal of real estate and investments Oversee the implementation of key financial and operational controls and processes

Audit Committee

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

Audit Committee's Principal Responsibilities

Financial Reporting	<ul style="list-style-type: none"> • Reviewing financial statements
Risk Management and Internal Control	<ul style="list-style-type: none"> • Reviewing internal audit reports • Assisting the Board in its monitoring of the REIT Manager's overall risk management profile and setting guidelines and policies to govern risk assessment and risk management
External Audit	<ul style="list-style-type: none"> • Reviewing external audit reports to ensure that, where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management
Compliance	<ul style="list-style-type: none"> • Monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the Listing Rules • Monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Champion REIT and a "connected person" (as defined in the REIT Code)

The Audit Committee currently comprises three Independent Non-executive Directors (namely Mr Shek Lai Him, Abraham, Mr Cheng Wai Chee, Christopher and Mr Ho Shut Kan) and a Non-executive Director (namely Dr Lo Ka Shui). Mr Shek is the Chairman of the Audit Committee. The members of the Audit Committee are appointed by the Board from among the Non-executive Directors of the REIT Manager and a majority of the members of the Audit Committee are required to be Independent Non-executive Directors.

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

Corporate Governance Report

During the year 2020, two physical meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee during the year 2020:

Summary of Major Work Done of the Audit Committee in 2020

Financial Reporting

- Reviewed the audited financial statements for the year ended 31 December 2019 and the unaudited financial statements for the six months ended 30 June 2020, with particular regard to the qualitative aspects of Champion REIT's accounting practices including the following major judgmental issues:
 - (1) the intention and ability to hold the held-to-maturity investments in light of the capital maintenance and liquidity requirements of Champion REIT;
 - (2) the treatment of deferred taxation on changes in fair value of the investment properties of Champion REIT situated in Hong Kong; and
 - (3) the processes and method of valuation of the investment properties and the non-quoted derivative financial instruments of Champion REIT.
- Evaluated the effect on the results and financial position of Champion REIT for applications of new amendments/interpretations issued by The Hong Kong Institute of Certified Public Accountants
- Reviewed the Annual Report comprising the Corporate Governance Report, the Sustainability Report and the 2030 ESG Target; and the Final Results Announcement for the year ended 31 December 2019
- Reviewed the Interim Report and the Interim Results Announcement for the six months ended 30 June 2020
- Reviewed and approved the 2020 annual budget/forecasts and annual business plan prepared by the REIT Manager

Risk Management and Internal Control

- Reviewed the Reports of the Internal Auditor
- Reviewed the effectiveness of risk management and internal control systems

External Audit

- Reviewed the Reports from the External Auditor
- Considered and recommended to the Board on the re-appointment of External Auditor and approved the terms of engagement

Compliance

- Reviewed the legal and regulatory compliance matters for the year ended 31 December 2019 and for the six months ended 30 June 2020, which included, among others, the Reports on Connected Party Transactions
- Adopted the amended terms of reference of Audit Committee

Disclosures Committee

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

Disclosures Committee's Principal Responsibilities

Corporate Disclosure	<ul style="list-style-type: none"> • Reviewing and making recommendations to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions, and potential areas of conflict of interests
Compliance	<ul style="list-style-type: none"> • Overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Champion REIT to the public and applicable regulatory agencies • Reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Champion REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable • Reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies

The members of the Disclosures Committee are appointed by the Board from among the Directors. It currently comprises a Non-executive Director (namely Dr Lo Ka Shui), an Independent Non-executive Director (namely Mr Shek Lai Him, Abraham) and an Executive Director (namely Ms Wong Ka Ki, Ada). Ms Wong is the Chairman of the Disclosures Committee.

Corporate Governance Report

During the year 2020, two physical meetings of the Disclosures Committee were held and two written resolutions were passed by all members of the Disclosures Committee. The following is a summary of the major work done of the Disclosures Committee during the year 2020:

Summary of Major Work done of the Disclosures Committee in 2020

Corporate Disclosure

- Reviewed and approved the Sustainability Report for the year ended 31 December 2019 and reviewed the 2030 ESG Target
- Reviewed the disclosure checklist and approved the 2019 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2019, the payment of Manager's fee in cash and Units and the final distribution
- Reviewed and approved the Circular to Unitholders in relation to the General Mandate to Buy-back Units of Champion REIT and the Notice convening the 2020 Annual General Meeting
- Reviewed the disclosure checklist and approved the 2020 Interim Report of Champion REIT and announcements in relation to the interim results for the six months ended 30 June 2020, the payment of manager's fee in cash and units and the interim distribution
- Reviewed and approved the Announcement to Unitholders in relation to the appointment of Ms Wong Mei Ling, Marina as a Non-executive Director of the REIT Manager
- Reviewed and approved the Announcement to Unitholders in relation to the passing away of Mr Cha Mou Sing, Payson, an Independent Non-executive Director of the REIT Manager

Compliance

- Adopted the amended terms of reference of Disclosures Committee

Nomination Committee

The REIT Manager established a Nomination Committee in November 2019 and adopted the terms of reference in February 2020. The written terms of reference of the Nomination Committee are available upon request. The role of the Nomination Committee is to formulating policy and making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession planning.

Nomination Committee's Principal Responsibilities

Board Composition

- Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the strategy of Champion REIT
- Identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships
- Making recommendations on persons for appointment or re-appointment as Director to, and propose Directors for removal from, the full Board and make recommendations to the Board on the relevant matters relating to succession planning for Directors, in particular the Chairman and the Chief Executive Officer

Corporate Governance

- Assessing the independence of Independent Non-executive Directors
- Formulating, maintaining and updating the Board Diversity Policy and Nomination Policy of the REIT Manager

The members of the Nomination Committee are appointed by the Board from among the Directors. It currently comprises a Non-executive Director (namely Dr Lo Ka Shui), three Independent Non-executive Directors (namely Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan and Mr Shek Lai Him, Abraham). Mr Ho is the Chairman of the Nomination Committee.

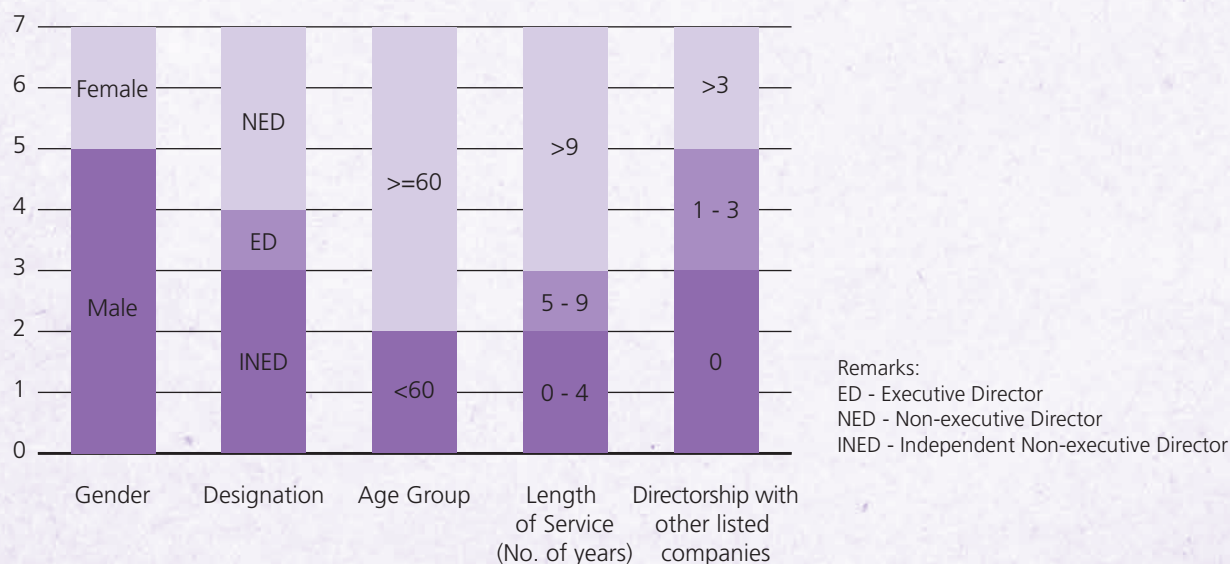
Corporate Governance Report

Board Diversity Policy

The Nomination Committee adopted a board diversity policy (the "Board Diversity Policy") during the year. The REIT Manager believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Board shall be on merit, in the context of the skills and experience the Board as a whole requires to be effective, and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal and regulatory requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions like gender, age, cultural or educational background when short listing candidates. The REIT Manager believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background and other qualities of Directors. The Nomination Committee shall review the diversity of the Board at least annually taking into account the Group's business model and specific needs and shall monitor the implementation of the Board Diversity Policy and, if appropriate, make recommendations on proposed changes to the Board to complement the Company's corporate strategy. The Chairman of the Board should be a Non-executive Director of the REIT Manager and at least one-third, and a minimum of three members of the Board should be Independent Non-executive Directors.

The Board considers the current Board composition has provided the REIT Manager with a balance of skills, experience and diversity of perspective appropriate to the requirements by its business. The following chart shows the diversity profile of the Board as at 31 December 2020:

Number of Directors



Nomination Policy

The Nomination Committee adopted a nomination policy of the REIT Manager (the “Nomination Policy”) during the year. The Nomination Committee shall review the Nomination Policy from time to time. The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates. The objective of the Nomination Policy is to assist the REIT Manager in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the REIT Manager.

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

During the year 2020, two physical meetings of the Nomination Committee were held. The following is a summary of the major work done of the Nomination Committee during the year 2020:

Summary of Major Work done of the Nomination Committee in 2020

Board Composition	<ul style="list-style-type: none"> • Reviewed the structure, size and composition of the Board, and the contribution required from the Board members • Reviewed time commitment of Directors to the affairs of Champion REIT through, inter alia, their meeting attendance and other listed company’s directorships • Approved the nomination of retiring Directors to seek for re-election at the 2020 Annual General Meeting • Reviewed and approved the nomination of Ms Wong Mei Ling, Marina as a Non-executive Director of the REIT Manager after considering her background, academic achievement and working experience and made recommendation to the Board
Corporate Governance	<ul style="list-style-type: none"> • Reviewed the independence of Independent Non-executive Directors • Adopted the terms of reference of Nomination Committee • Adopted the Board Diversity Policy and Nomination Policy

Corporate Governance Report

Finance and Strategic Planning Committee

The REIT Manager established a Finance and Strategic Planning Committee (the “Committee”) and adopted the terms of reference in February 2021. The role of the Committee is to enhance the corporate governance and control in respect of the financial performance and strategic planning of the REIT Manager and the Group. The Committee discharges its duties under the terms of reference so delegated by the Board and reports and makes recommendations to the Board and it is distinct and separate from the Audit Committee. The Committee shall have no executive authority with regard to its findings and recommendations.

Finance and Strategic Planning Committee’s Principal Responsibilities

- Making recommendations on changes to the Compliance Program based on industry developments, legal guidance, practices of the Group and/or other standards and requirements identified by the Committee
- Evaluating policies and controls of the Group including operation, finance, budgeting, governance and compliance
- Reviewing the Group’s financial strategy and budget setting strategy
- Reviewing the Group’s operating budget, annual capital budget and allocation of capital and monitoring the implementation of the approved annual budget/forecasts and annual business plan
- Reviewing the Group’s treasury management activities
- Reviewing the Group’s cash requirements and sources of cash
- Monitoring the progress towards achievement of the financial strategy and financial targets, and operational performance associated activity levels
- Making recommendations on proposed acquisitions and/or disposal of real estate and investments

The members of the Committee are recommended by the Nomination Committee and appointed by the Board from among the Directors. It currently comprises two Non-executive Directors (namely Dr Lo Ka Shui and Ms Wong Mei Ling, Marina) and an Executive Director (namely Ms Wong Ka Ki, Ada). Dr Lo is the Chairman of the Committee.

Board and Board Committee Meetings

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

In response to government's call for maintaining social distancing and reducing gatherings in order to minimise the risk of COVID-19 spreading, Board and Board Committee meetings of the REIT Manager were held either by means of video conference or telephone conference during the year.

Proceedings of the Board and Board Committees

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

Corporate Governance Report

The attendance of individual Directors and committee members in 2020 is set out in the table below:

Number of Meeting(s) Attended/Eligible to Attend in 2020

Name of Directors	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting	Nomination Committee Meeting	2020 Annual General Meeting
Non-executive Directors					
LO Ka Shui (<i>Chairman</i>)	6/6	2/2	2/2	2/2	✓
IP Yuk Keung, Albert	6/6	–	–	–	✓
WONG Mei Ling, Marina (appointed on 23 October 2020)	2/2	–	–	–	N/A
Attendance Rate	100%	100%	100%	100%	
Executive Director					
WONG Ka Ki, Ada (<i>Chief Executive Officer</i>)	6/6	–	2/2	–	✓
Attendance Rate	100%	–	100%	–	
Independent Non-executive Directors					
CHA Mou Sing, Payson (passed away on 6 November 2020 (PST))	2/4	–	–	–	✓
CHENG Wai Chee, Christopher	6/6	2/2	–	2/2	✓
HO Shut Kan	6/6	2/2	–	2/2	✓
SHEK Lai Him, Abraham	6/6	2/2	2/2	2/2	✓
Attendance Rate	91%	100%	100%	100%	
Overall Attendance Rate	95%	100%	100%	100%	

Company Secretary

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

Management of Business Risk

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

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team currently comprises the Chief Executive Officer, the Investment and Investor Relations Director, the Business Development Director, the Finance Director, the Chief Operating Officer – Asset Management, the Chief Operating Officer – Risk Management, the Senior Internal Audit Manager, the Senior IT Project Manager and the Compliance Manager. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing among the team members. In 2020, 12 meetings of the management team were held.

Whistleblowing Policy

The REIT Manager has put in place a Whistleblowing Policy to provide guidelines and channels on reporting possible improprieties in matters of financial reporting or other matters, and reassurance to the whistleblowers. The Whistleblowing Policy sets out the procedures to ensure well defined and accessible channels to report any misconduct, malpractice or irregularity for the independent investigation and appropriate follow up action. The aim of the Whistleblowing Policy is to encourage the reporting of such matters in good faith, with the confidence that the whistleblower be protected against unfair dismissal, victimisation or unwarranted disciplinary action regardless the genuineness and appropriateness of reports.

Unitholder Communication Policy

The REIT Manager has put in place a Unitholder Communication Policy which is designated to promote effective engagement with the Unitholders of Champion REIT, both individual and institutional investors, and other stakeholders, giving them timely and equal access to balanced and understandable information about Champion REIT.

Staff Dealing Policy

The REIT Manager has put in place a Staff Dealing Policy which is designated to prevent unethical business and legal conflicts and to guard against the misuse of proprietary, confidential and insider information by all employees of the REIT Manager including the Directors (other than Non-executive Directors and Independent Non-executive Directors). The rules under the Staff Dealing Policy are imposed to comply with relevant requirements as set out in the Code of Conduct for Persons Licensed by or Registered with the SFC or the Fund Manager Code of Conduct of the SFC (where applicable) and to comply with general law as well as other applicable rules or laws.

Corporate Governance Report

Conflicts of Interests and Business Competition with Great Eagle

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 Officer Tower. Keysen Property Management Services Limited (“Keysen”) (formerly known as The 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. 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, furnished apartments, hotel properties and restaurants in Asia, North America, Australia, New Zealand 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.

Conflict of Interest

In respect of matters in which a Director has an interest, direct or indirect, in any contract or arrangement to which Champion REIT (whether through the REIT Manager or the Trustee) is a party, such interested Director shall disclose his/her interest to the Board and abstain from voting on the resolution concerned at a meeting of the Directors. In addition, all employees of the REIT Manager (including the Executive Director) are required to declare any conflict of interest in connection with their official duties pursuant to the Code of Conduct of the REIT Manager.

Estate Management Services

With respect to estate management services, Longworth and Keysen 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 Keysen in the estate management of Three Garden Road and Langham Place, the REIT Manager considers that it is in the interest of Champion REIT for the existing estate management arrangements to continue and the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT.

Leasing and Marketing

With respect to leasing and marketing functions, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT because the Property Manager provides property management services (including leasing and marketing functions) in respect of Three Garden Road and Langham Place exclusively whereas Great Eagle has its independent and separate leasing team to perform the property management functions for its own properties. The Property Manager has an office location that is separate from the other Great Eagle entities that perform leasing and marketing functions in respect of other properties held by Great Eagle. To ensure that there is segregation of information between the Property Manager and other Great Eagle entities, the Property Manager has its own database with access and security codes different from those of Great Eagle.

Procedures to deal with Conflicts of Interests

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

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

Corporate Governance Report

Reporting and Transparency

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

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

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the external auditor of Champion REIT amounted to HK\$2,527,000 (2019: HK\$2,590,000) for audit and audit related services, and HK\$1,692,000 (2019: HK\$664,000) for non-audit services. The increase of the fee payable for non-audit services was mainly due to the services rendered in relation to the update of the guaranteed medium term notes programme and the issuance of US\$300 million 10-year medium term notes.

General Meetings

Attendance

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The 2020 annual general meeting ("2020 AGM") of Champion REIT was held on 28 May 2020; Dr Lo Ka Shui, Mr Ip Yuk Keung, Albert, Ms Wong Ka Ki, Ada, Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan, Mr Shek Lai Him, Abraham and the late Mr Cha Mou Sing, Payson attended the meeting. The chairman of the Board and the chairman of the Audit Committee, Nomination Committee and Disclosures Committee also have attended the 2020 AGM to answer questions from Unitholders. The external auditor was also available at the meeting to answer any questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and any other related questions raised by the Unitholders.

Notice

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

Quorum

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

Voting

On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder provided such Units are fully paid up.

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

Poll Vote

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

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

Corporate Governance Report

Proceedings of General Meetings

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

Communication with Unitholders

We recognise the importance of maintaining an ongoing dialogue with our Unitholders. The Unitholder Communication Policy has been adopted to promote effective engagement with Unitholders, institutional investors and other stakeholders. Maintaining timely, mutual and effective communication with Unitholders and the investment community about corporate strategy, business development and prospects is an important priority for Champion REIT. The chairman of the Board would attend the annual general meeting (the "AGM") and the representative of the Audit, Disclosures and Nomination Committees and the external auditor would be available to answer questions. A timeline of significant events setting out the important dates for Champion REIT and the Unitholders is provided in this Annual Report on page 2 as a quick reference. The REIT Manager meets existing and potential investors, financial analysts and media at one-on-one meetings, group meetings, local and overseas conference and roadshows regularly. Analyst briefings and investor meetings were held during the year.

In light of the outbreak of COVID-19, Champion REIT implemented a number of precautionary measures for the 2020 AGM, including distant seat arrangement and restricting the number of Unitholders in the 2020 AGM venue.

One of the principal channels of communication with the Unitholders is the AGM. Champion REIT ensures that Unitholders' views are communicated to the Board. Total voting rights of Unitholders present at the AGM personally or by proxy in the past five years are as follows:

Year of AGM	2016	2017	2018	2019	2020
Total voting rights at the AGM					
Number of shares represented	4,329,245,451	4,528,815,468	4,551,327,954	4,695,167,710	4,479,024,133
% of shares represented	74.82%	77.92%	78.00%	80.14%	76.06%
Number of issued shares as at the date of the AGM					
	5,785,868,874	5,811,998,520	5,834,898,392	5,858,503,599	5,888,833,523

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

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

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

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

Distribution

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code and Trust Deed, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. Pursuant to the Trust Deed, The REIT Manager will endeavour to ensure that for there is at least one distribution period for each financial year and the last distribution period ends on the last day of the financial year. The effective payout ratio for the year ended 31 December 2020 is 95%.

Corporate Governance Report

Matters to be decided by Unitholders by Special Resolution

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

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

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

Inside Information

The REIT Manager has put in place Guidelines and Procedures on Preservation and Disclosure of Inside Information which sets out procedures and internal controls for the REIT Manager on handling and dissemination of inside information. When information is determined by management to be inside information, Chief Executive Officer will evaluate the situation and make recommendation to the Chairman on whether or not the issue shall be escalated to the Board who will then determine the appropriate actions to be taken including public disclosure.

Issue of Further Units

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

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

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

As at 31 December 2020, the total number of issued Units of Champion REIT was 5,906,142,701. As compared with the position of 31 December 2019, a total of 33,353,390 new Units were issued during the year.

Date	Particulars	No. of Units
1 January 2020	Number of issued Units	5,872,789,311
4 March 2020	Issue of new Units 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 in respect of the real estate held by Champion REIT of approximately HK\$73,081,000 payable by Champion REIT for the six months ended 31 December 2019	16,044,212
4 September 2020	Issue of new Units to the REIT Manager at the price of HK\$4.140 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$71,660,000 payable by Champion REIT for the six months ended 30 June 2020	17,309,178
31 December 2020	Number of issued Units	5,906,142,701

Corporate Governance Report

Risk Management and Internal Control Systems

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

- (a) A good control environment including well defined organizational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the REIT Manager;
- (c) Appropriate risk mitigating activities including clear and written policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives of the REIT;
- (d) Effective information platforms to facilitate internal and external information flow; and
- (e) Structured Internal Audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the Internal Audit function, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

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

Based on the results of the internal audit reviews for the year ended 31 December 2020 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the REIT Manager has maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2020.

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

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the “Code on Securities Dealings”) governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to the Code on Securities Dealings, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself/herself or others. The Code on Securities Dealings also extends to senior executives and officers of the REIT Manager. Specific enquiry has been made with the REIT Manager’s Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2020.

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

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

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

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

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 28 May 2020. During the year ended 31 December 2020, neither the REIT Manager nor any of Champion REIT’s special purpose vehicles had bought back, sold or redeemed any Units pursuant to this mandate.

REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the year ended 31 December 2020.

Corporate Governance Report

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 28 February 2021 is set out below:

As at 28 February 2021	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$'000)	Mark-to-market Value (HK\$'000)	Weighting of GAV	Credit Rating (S&P's/ Moody's/ Fitch's)
KERPRO 5 ⁷ / ₈ 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296	59,498	0.0839%	-/-/-
NANFUN 4 ¹ / ₂ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797	9,708	0.0137%	BBB-/Baa3/BBB-
NANFUN 4 ⁷ / ₈ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,602	57,448	0.0810%	BBB-/Baa3/BBB-
HKTGHD 3 ³ / ₄ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641	51,367	0.0724%	BBB/Baa2/-
CAPG 6.35 02/08/24	Bond	Singapore Exchange	Cayman Islands	USD	38,747	40,181	0.0566%	B/B2/BB
MOLAND 11 ¹ / ₂ 11/13/22	Bond	Singapore Exchange	Cayman Islands	USD	3,809	3,932	0.0055%	-/B3/B
GRNCH 5.65 07/13/25	Bond	Hong Kong Exchange	Cayman Islands	USD	9,300	9,623	0.0136%	-/Ba3/-
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	77,488	83,532	0.1177%	BB-/-/BB
CIFIHG 7 ⁵ / ₈ 03/02/21	Bond	Hong Kong Exchange	Cayman Islands	USD	71,331	70,042	0.0987%	-/-/BB
CAPG 7 ¹ / ₂ 05/10/21	Bond	Singapore Exchange	Cayman Islands	USD	44,530	44,078	0.0621%	B/B2/BB
TPHL 6 05/05/21	Bond	Hong Kong Exchange	Cayman Islands	USD	28,944	28,848	0.0407%	-/-/-
CAPG 4.2 01/20/22	Bond	Singapore Exchange	Cayman Islands	USD	29,945	29,792	0.0420%	-/-/-
CIFIHG 6 ⁷ / ₈ 04/23/21	Bond	Hong Kong Exchange	Cayman Islands	USD	3,154	3,157	0.0045%	BB-/Ba3/BB
ZHPRHK 5.95 11/18/21	Bond	Hong Kong Exchange	Cayman Islands	USD	38,772	38,877	0.0548%	-/-/-
TPHL 7.85 06/04/21	Bond	Hong Kong Exchange	Cayman Islands	USD	3,143	3,141	0.0044%	-/B1/BB-
LOGPH 6 ⁷ / ₈ 04/24/21	Bond	Singapore Exchange	Cayman Islands	USD	21,990	21,886	0.0309%	-/-/BB
CAPG 4 ³ / ₄ 09/01/21	Bond	Unlisted	Cayman Islands	USD	232,509	232,710	0.3280%	-/-/-
AGILE 4 ¹ / ₄ 11/01/21	Bond	Unlisted	Cayman Islands	USD	542,521	555,424	0.7829%	-/-/-
KWGPPO 4 ³ / ₈ 12/29/21	Bond	Unlisted	Cayman Islands	USD	775,350	785,784	1.1077%	-/-/-
Union Medical Healthcare Limited (Stock Code: 2138.HK)	Equity	Hong Kong Exchange	Cayman Islands	HKD	54,354	93,283	0.1315%	N/A
Total					2,159,223	2,222,311	3.1326%	

Notes: (1) The weighting of GAV is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.
(2) All figures presented above have been rounded to the nearest thousand.

COMPLIANCE WITH COMPLIANCE MANUAL

The REIT Manager has, in all material respects, complied with the provisions of the Compliance Manual during the year.

PUBLIC FLOAT

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

REVIEW OF ANNUAL REPORT

The annual report of Champion REIT for the year ended 31 December 2020 has been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2020. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2020 have been audited by the Independent Auditor, Messrs Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of Champion REIT for the year ended 31 December 2020 is set out in the Independent Auditor's Report on pages 126 to 130 of this Annual Report.

Connected Party Transactions Report

Set out below is the information in respect of the connected party transactions involving Champion REIT and its connected persons as defined in paragraph 8.1 of the latest edition of the Code on Real Estate Investment Trusts ("REIT Code") effective on 4 December 2020:

CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group for the 12 months ended 31 December 2020 ("Year").

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 substantial 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 substantial holder of Champion REIT) as more particularly described under the section headed "Disclosure of Interests" of this Annual 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 Year HK\$
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ¹	56,448,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ²	375,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ³	8,908,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Leasing transaction	10,143,000
Keyesen Property Management Services Limited ⁸	Subsidiary of Great Eagle	Leasing transaction ⁴	8,574,000
Noodlemeen Limited	Subsidiary of Great Eagle	Leasing transaction	42,000
Noodlemeen Limited	Subsidiary of Great Eagle	Leasing related income	50,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	288,000
Keyesen Property Management Services Limited ⁸	Subsidiary of Great Eagle	Car parking fee	60,000
Total			84,888,000⁶

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ¹	5,347,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ²	83,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ³	956,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Building management fee income	1,206,000
Keysen Property Management Services Limited ⁸	Subsidiary of Great Eagle	Building management fee income ⁴	928,000
Noodlemeen Limited	Subsidiary of Great Eagle	Building management fee income	329,000
Total			8,849,000⁶

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Keysen Property Management Services Limited ⁸	Subsidiary of Great Eagle	Estate management expense	99,832,000 ⁵
Keysen Property Management Services Limited ⁸	Subsidiary of Great Eagle	Repair and maintenance services	1,000
Selex Engineering Services Limited ⁸	Subsidiary of Great Eagle	Repair and maintenance services	668,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	207,000
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services and other miscellaneous expense	8,625,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Promotion and Marketing expense	141,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Promotion income ⁷	11,000
Total			109,485,000⁶

Connected Party Transactions Report

Notes:

- 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 Year end date.
- A security deposit by way of cash of approximately HK\$117,000 provided by Eagle Asset Management (CP) Limited was held by the Trust as at the Year end date.
- 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 Year end date.
- A security deposit by way of cash of approximately HK\$1,935,000 provided by Keyesen Property Management Services Limited was held by the Trust as at the Year end date.
- Out of this HK\$99,832,000, approximately HK\$96,875,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$2,957,000 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 Keyesen Properties Management Company Limited. Pursuant to the Langham Place Mall Estate Management Agreement, the Mall Estate Manager was entitled to retain at all times an amount equal to one-sixth of the annual expenditure under the approved budget for the Year; so as to enable the Mall Estate Manager to make payment of estate management expenses.
- The annual value of the Connected Party Transactions were within the respective annual limits set out in the following table as approved by the unitholders at the Extraordinary General Meeting held on 18 December 2019:

	Annual Limit for the year ended 31 December 2020 HK\$
I. Revenue	
Rental income	151,943,000
Building management fee	17,083,000
Total:	169,026,000
II. Expenditure	
Estate management transactions	226,167,000
Potential property management agreement(s) transactions	47,879,000
Total:	274,046,000

- The promotion income from Eagle Property Management (CP) Limited has been set-off against promotion expenses in the financial statement.
- In this "CONNECTED PARTY TRANSACTIONS REPORT", the company named Keyesen Property Management Services Limited is formerly known as The Great Eagle Properties Management Company, Limited whereas Selex Engineering Services Limited is formerly known as The Great Eagle Engineering Company Limited.

PRE-EXISTING AGREEMENTS

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

Pre-Existing Agreements subject to Waiver

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

Name/ Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
Langham Place Mall Estate Management Agreement	Keysen Property Management Services Limited (as the Langham Place Mall Estate Manager) ⁵	Subsidiary of Great Eagle	Reimbursement of estate management expense	96,875,000
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) ⁵	Subsidiary of Great Eagle	Reimbursement of estate management expense	2,957,000

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

Name/ Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
DMC (deed of mutual covenant) for Langham Place	Keysen Property Management Services Limited (as DMC Manager of Langham Place) ⁵	Subsidiary of Great Eagle	Building management fee expense ¹	3,719,000
Office Sub-DMC (sub-deed of mutual covenant) for Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense ²	53,286,000

Connected Party Transactions Report

Other Pre-Existing Agreements and other transactions subject to Reporting Requirements under the REIT Code (Continued)

Name/ Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
Deed of Delegation	Keysen Property Management Services Limited (as DMC Manager of Langham Place) ⁵	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	105,899,000 ⁴
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) ⁵	Subsidiary of Great Eagle	Building management fee expense ³	168,717,000

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 Year end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Year end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by Keysen Property Management Services Limited in its capacity as DMC Sub-manager of Three Garden Road as at the Year end date.
4. Out of this HK\$105,899,000, approximately HK\$78,514,000 represented the amount of property and lease management service fee paid, approximately HK\$17,788,000 represented the amount of rental commission paid and approximately HK\$9,597,000 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. In this "CONNECTED PARTY TRANSACTIONS REPORT", the company named Keysen Property Management Services Limited is formerly known as The Great Eagle Properties Management Company, Limited.

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\$281,652,000 being the 12% of the net property income of Champion REIT for such services rendered during the Year is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

In 2012, the REIT Manager has notified the Trustee in writing and elected to receive 50% of the Manager's Fee in the form of Units and the balance of 50% in cash for the financial year 2013. As no change has been made by the REIT Manager, according to Clause 11.1.2 of the Trust Deed, the way of receipt of the Manager's Fee as to 50% in the form of Units and 50% in cash remains applicable to the financial year 2020. For the Year, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$140,826,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$140,826,000.

Other Miscellaneous Expenditure

Approximately HK\$3,000 in respect of the venue rental fees for client meeting during the Year was paid by Champion REIT to Best Come Limited, a wholly-owned subsidiary of Great Eagle.

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

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

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

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

Connected Party Transactions Report

Connected Party Transactions – Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	7,453,000
HSBC Group	Trustee Connected Persons	Bank charge	212,000
HSBC	Trustee Connected Persons	Loan and interest rate swap interest/expense	11,377,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan upfront fee and interest/expense	87,275,000
Hang Seng Bank Limited	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 Year. The total notional amount in respect of such swap contracts with HSBC was US\$386,400,000 as at the Year end date.

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

An interest rate swap contract between Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) and HSBC has expired during the Year. 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 Bank Limited is the mandated lead arranger under the Facility Agreement dated 26 June 2020 in respect of HK\$1 billion term and revolving loan facilities (subsequently increased to HK\$1.3 billion term and revolving loan facilities).

During the Year, EAM-Champion REIT Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) has purchased bonds through HSBC as broker. The bonds were acquired at the total cost of approximately HK\$418,762,000 during the year.

Note:

1. Hang Seng Bank Limited is a subsidiary of HSBC. It acts as the facility agent for the term loan facility of HK\$5,800 million. Syndicates of facility include Hang Seng Bank Limited and HSBC. As at 31 December 2020, the outstanding amount was HK\$3,450 million after an aggregate amount of HK\$2,350 million was prepaid. Various portions of Three Garden Road were mortgaged to the syndicates of lenders as security. During the Year, Hang Seng Bank Limited acts as the facility agent under the Facility Agreement dated 26 June 2020 in respect of HK\$1 billion term and revolving loan facilities (subsequently increased to HK\$1.3 billion term and revolving loan facilities). As at 31 December 2020, a term loan portion of HK\$429 million was drawn and outstanding.

Connected Party Transactions – Others

During the Year, the trustee fee of approximately HK\$12,852,000 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

For the period from 1 January 2020 to 3 December 2020 (the “Period”), Colliers International (Hong Kong) Limited (“Colliers Hong Kong”) was a connected person of Champion REIT in the capacity as the principal valuer as defined under REIT Code fifth edition. According to the REIT Code, a principal valuer is no longer a connected person of Champion REIT. Nonetheless, during the Period, a total amount of approximately HK\$3,701,000 in aggregate were incurred for services rendered by Colliers Hong Kong and its associate Colliers International Agency Limited (“Colliers Agency”). Among these, approximately HK\$245,000 was the valuation fee incurred for services rendered by Colliers Hong Kong in the capacity as the principal valuer of Champion REIT and approximately HK\$3,456,000 was the rental commission incurred for agency services rendered by Colliers Agency.

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

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

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

Connected Party Transactions Report

REPORT FROM AUDITOR OF CHAMPION REIT

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

Hong Kong, 18 February 2021

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

Disclosure of Interests

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

As at 31 December 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 ⁹	Percentage of Issued Units ¹⁰
Lo Ka Shui	Beneficial Owner	Personal Interests	3,592,007		
	Interests of Controlled Corporations	Corporate Interests	3,973,137,075 ¹		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	19,115,000	3,995,844,082 ²	67.66
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730	13,424,730 ⁵	0.23
Wong Ka Ki, Ada	Interests of Spouse	Family Interests	400,000	400,000 ⁶	0.01
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	200,000	200,000 ⁷	0.00

REIT Manager

(also a substantial Unitholder)

Name	Total Number of Units/ Underlying Units Held ⁹	Percentage of Issued Units ¹⁰
Eagle Asset Management (CP) Limited	469,120,107	7.94

Disclosure of Interests

Substantial Unitholders

Name	Total Number of Units/ Underlying Units Held ⁹	Percentage of Issued Units ¹⁰
Great Eagle Holdings Limited ("Great Eagle")	3,969,878,465 ³	67.22
HSBC International Trustee Limited	3,960,923,284 ⁴	67.06
HKSCC Nominees Limited	2,319,499,693 ⁸	39.27
Top Domain International Limited	1,420,416,628	24.05
Keen Flow Investments Limited	1,071,375,933	18.14
Bright Form Investments Limited	680,232,558	11.52

Notes:

- Among these 3,973,137,075 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; and
 - 3,969,878,465 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 45,410,171 Units/underlying Units in aggregate as compared with the position as at 30 June 2020.
- The 3,969,878,465 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table. The following table shows the number of Units and/or underlying Units held by these companies as at 31 December 2020 and 30 June 2020 respectively:

Name	Number of Units/ Underlying Units Held As at 31 December 2020	Number of Units/ Underlying Units Held As at 30 June 2020
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	469,120,107	451,810,929
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	64,284,993	36,184,000
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 7 October 2020) received from HSBC International Trustee Limited ("HITL"). When compared with the position as at 30 June 2020, the unitholdings of HITL increased by 86,697,822 Units.

HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 33.64% interests in Great Eagle as at 31 December 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 31 December 2020.

5. The unitholdings of Mr Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 30 June 2020.
6. The unitholdings of Ms Wong Ka Ki, Ada remained unchanged as compared with the position as at 30 June 2020.
7. Ms Wong Mei Ling, Marina was appointed as a Non-executive Director of the REIT Manager on 23 October 2020. The unitholdings of Ms Wong remained unchanged as compared with the position as at 23 October 2020.
8. As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited decreased by 743,560 Units when compared with the position as at 30 June 2020.
9. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.
10. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,906,142,701 as at 31 December 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 31 December 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.

Disclosure of Interests

HOLDINGS OF OTHER CONNECTED PERSON

As at 31 December 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 ²
HSBC Group	2,214,467 ¹	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 29,000 Units as compared with the position as at 30 June 2020.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,906,142,701 as at 31 December 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 31 December 2020.

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

Great Eagle is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham"). As at 31 December 2020, Great Eagle owned 3,969,878,465 Units and/or underlying Units (67.22%) in Champion REIT and 2,233,136,660 share stapled units (69.24%) in Langham. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle and Langham as at 31 December 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 Held	Number of Underlying Shares Held ¹	Total Number of Ordinary Shares/ Underlying Shares Held
Lo Ka Shui	Beneficial Owner	Personal Interests	57,270,775	2,066,000	453,549,904
	Interests of Controlled Corporations	Corporate Interests	88,833,415		
	Founder of a Discretionary Trust	Trust Interests	63,223,699		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015		
Ip Yuk Keung, Albert	Beneficial Owner	Personal Interests	60,000		60,000
Wong Ka Ki, Ada	Beneficial Owner	Personal Interests	27,909	450,000	477,909
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	27,000	244,000	271,000

Disclosure of Interests


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	31,584,000	
	Interests of Controlled Corporations	Corporate Interests	2,236,226,660 ²	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	90,010,250	2,357,820,910
Ip Yuk Keung, Albert	Interests held jointly with another person	Joint Interests	3,015,000	3,015,000
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	15,000	15,000

Notes:

- These interests were share options.
- Among these 2,236,226,660 Units, Dr Lo Ka Shui had a corporate interest in 3,090,000 share stapled units of Langham and was deemed to be interested in 2,233,136,660 share stapled units of Langham held by Great Eagle as at 31 December 2020 by virtue of being a substantial shareholder, the Chairman and Managing Director of Great Eagle.

Financials



126	Independent Auditor's Report
131	Consolidated Income Statement
132	Consolidated Statement of Comprehensive Income
133	Consolidated Statement of Financial Position
134	Consolidated Statement of Changes in Net Assets Attributable to Unitholders
135	Distribution Statement
136	Consolidated Statement of Cash Flows
137	Notes to the Consolidated Financial Statements
191	Major Real Estate Agents and Contractors
192	Performance Table

Independent Auditor's Report

Deloitte.

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TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 131 to 190, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2020 and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

Key audit matter

Valuation of investment properties

We have identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments in determining the fair value. As disclosed in note 15 to the consolidated financial statements, the Group's investment properties amounted to HK\$67,318,000,000, representing 94% of the Group's total assets, with its change in fair value included in the consolidated income statement. During the year, a decrease in fair value of investment properties amounted to HK\$13,847,195,000.

The Group's investment properties are carried at fair value based on the valuations performed by an independent qualified professional valuer. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in note 15 to the consolidated financial statements. The valuations are dependent on key inputs, together with significant assumptions, that involve judgments, including capitalisation rates and market rents. Eagle Asset Management (CP) Limited (the "Manager" of Champion REIT) has reviewed and exercised its judgment on the key inputs to the valuations and the results.

How our audit addressed the key audit matter

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

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

Independent Auditor's Report

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 February 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Rental income	6	2,599,093	2,742,400
Building management fee income	6	287,063	302,527
Rental related income	7	34,164	35,742
Total revenue		2,920,320	3,080,669
Property operating expenses	8	(573,217)	(600,027)
Net property income		2,347,103	2,480,642
Other income	9	54,368	41,317
Manager's fee	10	(281,652)	(297,677)
Trust and other expenses		(26,021)	(23,895)
Decrease in fair value of investment properties	15	(13,847,195)	(1,994,379)
Finance costs	11	(472,803)	(485,470)
Loss before tax and distribution to unitholders	12	(12,226,200)	(279,462)
Income taxes	13	(270,890)	(290,860)
Loss for the year, before distribution to unitholders		(12,497,090)	(570,322)
Distribution to unitholders		(1,476,445)	(1,565,536)
Loss for the year, after distribution to unitholders		(13,973,535)	(2,135,858)
Basic loss per unit	14	HK\$(2.12)	HK\$(0.10)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Loss for the year, after distribution to unitholders	(13,973,535)	(2,135,858)
Other comprehensive (expense) income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income	21,001	–
<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	(212,655)	57,113
Reclassification of fair value adjustments to profit or loss	43,724	2,668
	(147,930)	59,781
Total comprehensive expense for the year	(14,121,465)	(2,076,077)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties	15	67,318,000	81,178,000
Notes receivables	16	242,524	215,093
Equity instruments at fair value through other comprehensive income	17	77,950	–
Derivative financial instruments	21	–	61,007
Total non-current assets		67,638,474	81,454,100
Current assets			
Trade and other receivables	18	316,785	259,364
Notes receivables	16	1,902,200	–
Tax recoverable		2,194	608
Derivative financial instruments	21	–	3,419
Short-term bank deposits	19	191,485	200,000
Bank balances and cash	19	1,642,094	1,761,655
Total current assets		4,054,758	2,225,046
Total assets		71,693,232	83,679,146
Current liabilities			
Trade and other payables	20	2,115,122	1,393,805
Deposits received		741,215	799,552
Derivative financial instruments	21	23,704	–
Tax liabilities		46,650	279,194
Distribution payable		752,780	783,505
Bank borrowings	22	3,441,549	843,510
Medium term notes	23	–	199,929
Total current liabilities		7,121,020	4,299,495
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	21	99,583	–
Bank borrowings	22	5,347,376	8,597,553
Medium term notes	23	7,608,548	5,326,277
Deferred tax liabilities	24	659,107	621,499
Total non-current liabilities, excluding net assets attributable to unitholders		13,714,614	14,545,329
Total liabilities, excluding net assets attributable to unitholders		20,835,634	18,844,824
Net assets attributable to unitholders		50,857,598	64,834,322
Number of units in issue ('000)	25	5,906,143	5,872,789
Net asset value per unit	27	HK\$8.61	HK\$11.04

The consolidated financial statements on pages 131 to 190 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT"), on 18 February 2021 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

WONG Ka Ki, Ada
DIRECTOR

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2020

	Issued units HK\$'000 (note 25)	Hedging reserve HK\$'000	Investment revaluation 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	24,414,939	(15,236)	–	5,757,943	36,603,282	66,760,928
Loss for the year, after distribution to unitholders	–	–	–	–	(2,135,858)	(2,135,858)
Cash flow hedges	–	59,781	–	–	–	59,781
Total comprehensive (expense) income for the year	–	59,781	–	–	(2,135,858)	(2,076,077)
Issue of units	149,471	–	–	–	–	149,471
Net assets attributable to unitholders as at 31 December 2019	24,564,410	44,545	–	5,757,943	34,467,424	64,834,322
Loss for the year, after distribution to unitholders	–	–	–	–	(13,973,535)	(13,973,535)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	21,001	–	–	21,001
Cash flow hedges	–	(168,931)	–	–	–	(168,931)
Total comprehensive (expense) income for the year	–	(168,931)	21,001	–	(13,973,535)	(14,121,465)
Issue of units	144,741	–	–	–	–	144,741
Net assets attributable to unitholders as at 31 December 2020	24,709,151	(124,386)	21,001	5,757,943	20,493,889	50,857,598

Note: "Others" represent

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

Distribution Statement

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Loss for the year, before distribution to unitholders	(12,497,090)	(570,322)
Adjustments:		
– Gain from derecognition of financial assets measured at amortised cost	(2,595)	–
– Manager's fee paid and payable in units	140,826	148,838
– Decrease in fair value of investment properties	13,847,195	1,994,379
– Non-cash finance costs	28,209	33,422
– Deferred tax	37,608	41,615
Total distributable income to unitholders (note (i))	1,554,153	1,647,932
Interim distribution, paid to unitholders (note (ii))	723,665	782,031
Final distribution, to be paid to unitholders (note (iii))	752,780	783,505
Total distributions for the year	1,476,445	1,565,536
Payout ratio	95.0%	95.0%
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK\$0.1225	HK\$0.1332
Final distribution per unit, to be paid to unitholders (note (iii))	HK\$0.1275	HK\$0.1330
	HK\$0.2500	HK\$0.2662

Notes:

(i) Pursuant to the Trust Deed, the total distributable income is loss for the year, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. Champion REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial period.

(ii) The interim distribution per unit of HK\$0.1225 for the six months ended 30 June 2020 was calculated based on the interim distribution paid of HK\$723,665,000 for the period and 5,906,142,701 units in issue as of 25 September 2020, which was the record date for the period. The interim distribution was 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 in issue as at 20 September 2019, which was the record date for the period. The interim distribution was paid to unitholders on 4 October 2019.

(iii) The final distribution per unit of HK\$0.1275 for the year ended 31 December 2020 is calculated based on the final distribution to be paid to unitholders of HK\$752,780,000 for the period and 5,906,142,701 units in issue as at 31 December 2020. The final distribution per unit for the year ended 31 December 2020 will be subject to further adjustments upon the issuance of units between 1 January 2021 and 29 April 2021, which is the record date set for such period. The final distribution will be paid to unitholders on 7 May 2021.

The final distribution per unit of HK\$0.1330 for the year ended 31 December 2019 was calculated based on the final distribution paid of HK\$783,505,000 for the period and 5,888,833,523 units in issue as at 7 May 2020, which was the record date for the period. The final distribution was paid to unitholders on 15 May 2020.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
Loss before tax and distribution to unitholders	(12,226,200)	(279,462)
Adjustments for:		
Allowance for credit loss	1,001	–
Decrease in fair value of investment properties	13,847,195	1,994,379
Manager's fee paid and payable in units	140,826	148,838
Other income	(54,368)	(41,317)
Finance costs	472,803	485,470
Exchange difference	1,082	843
Operating cash flow before movements in working capital	2,182,339	2,308,751
(Increase) decrease in trade and other receivables	(102,672)	38,903
(Decrease) increase in trade and other payables	(30,328)	56,215
(Decrease) increase in deposits received	(58,337)	38,377
Cash generated from operations	1,991,002	2,442,246
Interest paid	(447,953)	(450,839)
Hong Kong Profits Tax paid	(467,412)	–
NET CASH FROM OPERATING ACTIVITIES	1,075,637	1,991,407
INVESTING ACTIVITIES		
Interest received	45,296	42,668
Dividend received	646	–
Additions to investment properties	–	(37,379)
Additions to notes receivables	(1,294,971)	–
Redemption of notes receivables	136,417	–
Placement of time deposit with original maturity over three months	(191,485)	(200,000)
Release of time deposit with original maturity over three months	200,000	200,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,104,097)	5,289
FINANCING ACTIVITIES		
Distribution paid	(1,506,717)	(1,581,356)
Repayment of bank loan	(1,085,000)	(5,815,000)
New bank loan raised	429,000	5,813,635
Bank origination fees paid	(16,150)	(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)	–
NET CASH USED IN FINANCING ACTIVITIES	(91,101)	(1,634,571)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(119,561)	362,125
Bank deposit designated to settle consideration payable for notes receivable	(775,350)	–
Cash and cash equivalents at beginning of the year	1,761,655	1,399,530
Cash and cash equivalents at end of year	866,744	1,761,655
Bank deposit designated to settle consideration payable for notes receivable	775,350	–
BANK BALANCES AND CASH AT END OF YEAR	1,642,094	1,761,655

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 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

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 materiality 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 year had no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- Specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - i. The classification should not be affected by management intentions or expectations to settle the liabilities within 12 months; and
 - ii. If the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- Clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)” (Continued)

Based on the Group’s outstanding liabilities as at 31 December 2020, the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 “Financial Instrument: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risk arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong interbank Offered Rate (“HIBOR”) bank loans which may be subject to interest rate benchmark reform. The Group expects no significant modification gains or losses should the interest rate benchmark for these loans change resulting from the reform on application for the amendments.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

As at 31 December 2020, the Group's current liabilities exceeded its current assets by HK\$3,066,262,000 (2019: HK\$2,074,449,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the 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 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 consolidated results of operations and fair value of the investment properties were impacted.

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

Investment properties

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investment properties (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessor (Continued)

Classification and measurement of leases (Continued)

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred lease payments. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest income is presented as other income.

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through comprehensive income ("FVTOCI"):

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to profit less distribution.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividend are included in the other income line item in profit or loss.

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment assessment under HKFRS 9 (including trade and other receivables, notes receivables, time deposits with original maturity over three months and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on financial instruments has not increased significantly since initial recognition if financial instruments are determined to have low credit risk at the reporting date. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- a. significant financial difficulty of the issuer or the borrower;
- b. a breach of contract, such as a default or past due event;
- c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets (Continued)

- d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to profit less distribution.

Financial liabilities and equity

Classification as debt or equity

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

Financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities (Continued)

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

Equity instruments

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting

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

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

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

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

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

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

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Fair value hedges

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

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

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

Cash flow hedges

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

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Cash and cash equivalents

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

Output method

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

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

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

Taxation

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

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

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 15.

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

Where the actual future market data varies, a material adjustment on the fair values of investment properties, cross currency swaps and interest rate swaps may arise. In relying on the valuation report, the Manager has exercised its judgments and are satisfied that the methods of valuation, assumptions and key inputs are reflective of the current market conditions taking into consideration the impact of the ongoing development of Covid-19.

5. SEGMENT INFORMATION

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

Segment revenue and results

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

For the year ended 31 December 2020

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,672,012	428,659	819,649	2,920,320
Segment results – Net property income	1,369,214	346,091	631,798	2,347,103
Other income				54,368
Manager's fee				(281,652)
Trust and other expenses				(26,021)
Decrease in fair value of investment properties				(13,847,195)
Finance costs				(472,803)
Loss before tax and distribution to unitholders				(12,226,200)
Income taxes				(270,890)
Loss for the year, before distribution to unitholders				(12,497,090)
Distribution to unitholders				(1,476,445)
Loss for the year, after distribution to unitholders				(13,973,535)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Decrease in fair value of investment properties	(7,397,850)	(1,373,000)	(5,076,345)	(13,847,195)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2019

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,674,848	428,264	977,557	3,080,669
Segment results – Net property income	1,374,544	341,735	764,363	2,480,642
Other income				41,317
Manager's fee				(297,677)
Trust and other expenses				(23,895)
Decrease in fair value of investment properties				(1,994,379)
Finance costs				(485,470)
Loss before tax and distribution to unitholders				(279,462)
Income taxes				(290,860)
Loss for the year, before distribution to unitholders				(570,322)
Distribution to unitholders				(1,565,536)
Loss for the year, after distribution to unitholders				(2,135,858)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
(Decrease) increase in fair value of investment properties	(1,397,379)	518,000	(1,115,000)	(1,994,379)

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

For the year ended 31 December 2020

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Building management fee income	153,965	51,055	82,043	287,063
Rental related income	15,816	498	37,243	53,557
Revenue from contracts with customers	169,781	51,553	119,286	340,620
Rental income and rental related income	1,502,231	377,106	700,363	2,579,700
	1,672,012	428,659	819,649	2,920,320

For the year ended 31 December 2019

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Building management fee income	163,185	53,197	86,145	302,527
Rental related income	10,303	414	38,871	49,588
Revenue from contracts with customers	173,488	53,611	125,016	352,115
Rental income and rental related income	1,501,360	374,653	852,541	2,728,554
	1,674,848	428,264	977,557	3,080,669

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

The Group applied the practical expedient in HKFRS 15 by recognising revenue in the amount to which the Group has right to invoice an amount that corresponds directly with the value to customer of the entity's performance completed to date on a time basis. As permitted under HKFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied performance obligation in relation to the building management service as at the end of reporting period is not disclosed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

Total revenue arising from leases for the year ended 31 December 2020 includes variable lease payments that do not depend on an index or a rate of HK\$18,794,000 (2019: HK\$114,511,000), the remaining amounts are lease payments that are fixed.

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2020				
Additions to non-current assets	–	–	–	–
For the year ended 31 December 2019				
Additions to non-current assets	37,379	–	–	37,379

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2020, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$41,132,000,000 (2019: HK\$48,530,000,000), HK\$9,055,000,000 (2019: HK\$10,428,000,000) and HK\$17,131,000,000 (2019: HK\$22,220,000,000), respectively.

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

Geographical information

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

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

Information about major tenants

There was one tenant whose revenue contributed over 10% of the total revenue of the Group for the year ended 31 December 2020.

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the year ended 31 December 2019.

6. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	2020 HK\$'000	2019 HK\$'000
Property rental income	2,557,924	2,696,697
Car park income	41,169	45,703
Rental income	2,599,093	2,742,400
	2020 HK\$'000	2019 HK\$'000
Building management fee income	287,063	302,527

7. RENTAL RELATED INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income from tenants	1,341	682
Promotional levy income	13,494	13,809
Sundry income	19,329	21,251
	34,164	35,742

8. PROPERTY OPERATING EXPENSES

	2020 HK\$'000	2019 HK\$'000
Allowance for credit loss	1,001	–
Building management expenses	323,919	336,025
Car park operating expenses	11,374	11,356
Government rent and rates	100,773	81,371
Legal cost and stamp duty	3,566	4,780
Promotion expenses	23,006	18,783
Property and lease management service fee	78,514	83,014
Property miscellaneous expenses	3,626	3,668
Rental commission	24,782	51,911
Repairs and maintenance	2,656	9,119
	573,217	600,027

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	27,962	33,282
Bond interest income	23,165	8,035
Dividend income	646	–
Gain from derecognition of financial assets measured at amortised cost	2,595	–
	54,368	41,317

10. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2020 and 31 December 2020, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2020 and 31 December 2020 as remuneration.

	2020 HK\$'000	2019 HK\$'000
Manager's fee:		
In the form of units	140,826	148,838
In the form of cash	140,826	148,839
	281,652	297,677

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 and 31 December 2020 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.

11. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Finance costs represent:		
Interest expense on bank borrowings	236,673	281,174
Interest expense on medium term notes	233,314	202,824
Other borrowing costs	2,816	1,472
	472,803	485,470

12. LOSS BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2020 HK\$'000	2019 HK\$'000
Loss before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	2,527	2,590
Trustee's remuneration	12,852	14,685
Principal valuer's fee	245	270
Other professional fees and charges	7,861	2,779
Roadshow and public relations expenses	1,052	1,510
Bank charges	355	288
Exchange difference	1,082	843

13. INCOME TAXES

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	233,278	249,435
– Under(over)provision in prior years	4	(190)
	233,282	249,245
Deferred tax (note 24)		
– Current year	37,608	41,615
	270,890	290,860

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

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

	2020 HK\$'000	2019 HK\$'000
Loss before tax and distribution to unitholders	(12,226,200)	(279,462)
Tax at the domestic income tax rate of 16.5%	(2,017,323)	(46,111)
Tax effect of income not taxable for tax purpose	(9,970)	(6,817)
Tax effect of expenses not deductible for tax purpose	2,299,000	344,001
Under(over)provision in prior years	4	(190)
Utilisation of tax loss previously not recognised	(821)	(23)
Income taxes for the year	270,890	290,860

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14. BASIC LOSS PER UNIT

The calculation of the basic loss per unit before distribution to unitholders is based on the loss for the year before distribution to unitholders of HK\$12,497,090,000 (2019: HK\$570,322,000) with the weighted average number of units of 5,895,625,190 (2019: 5,864,870,564) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2020 and 2019.

There were no dilutive potential units in issue during the years ended 31 December 2020 and 2019, therefore the diluted loss per unit has not been presented.

15. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
FAIR VALUE		
At the beginning of the year	81,178,000	83,135,000
Additions during the year	–	37,379
Adjustment to cost accruals	(12,805)	–
Decrease in fair value	(13,847,195)	(1,994,379)
At the end of the year	67,318,000	81,178,000

The fair value of the Group's investment properties at 31 December 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 taking into consideration of impact of Covid-19 as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

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

The Group leases the three investment properties, namely Three Garden Road, Langham Place Office Tower and Langham Place Mall, for generating rental income. Further details of the lease arrangements are set out in note 30.

As at 31 December 2020, certain investment properties with total fair value of HK\$20,979,500,000 (2019: HK\$24,861,360,000) have been mortgaged as security for credit facilities as detailed in note 22.

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020, the Group had equity securities listed in Hong Kong with a carrying amount of HK\$77,950,000 (2019: Nil). These investments are not held for trading, instead, they are held for long-term strategic purposes. The Manager have elected to designate these investments in equity instruments as FVTOCI as the Manager believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

18. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	60,405	10,467
Less: Allowance for credit loss	(1,001)	–
	59,404	10,467
Deferred lease receivables	165,605	166,052
Deposits, prepayments and other receivables	91,776	82,845
	316,785	259,364

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 net of allowance for credit loss presented based on the invoice date at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 3 months	30,777	10,467
3 – 6 months	16,670	–
Over 6 months	11,957	–
	59,404	10,467

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$30,777,000 (2019: HK\$10,467,000), HK\$16,670,000 (2019: Nil) and HK\$11,957,000 (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 allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable with most of the balance covered by deposits received.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$5,993,000 (2019: Nil), HK\$15,813,000 (2019: Nil) and HK\$11,703,000 (2019: Nil) which are past due within three months, three to six months and over six months respectively at the reporting date were related to the deferred lease payments.

Details of impairment assessment of trade and other receivables are set out in note 33.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

	2020 HK\$'000	2019 HK\$'000
Short-term bank deposits with original maturity of more than three months	191,485	200,000
Bank balances	1,211,969	529,259
Short-term bank deposits with original maturity of less than three months	430,125	1,232,396
Bank balances and cash	1,642,094	1,761,655
	1,833,579	1,961,655

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

	2020 HK\$'000	2019 HK\$'000
HK dollar	701,131	1,936,343
US dollar	1,132,448	25,312
	1,833,579	1,961,655

Cash at banks carry interest at market rates ranging from 0.001% to 0.30% (2019: 0.125% to 1.10%) per annum. Short-term bank deposits with original maturity of less than three months carry interest at market rates ranging from 0.37% to 0.69% (2019: 2.34% to 3.12%) per annum. Short-term bank deposits with original maturity of more than three months carry interest at a market rate of 1.05% (2019: 2.505%) per annum.

As at 31 December 2020, the Group has designated bank deposit of HK\$775,350,000 which was subsequently utilised in January 2021 for the settlement of the consideration payable in relation to notes receivable acquired in December 2020.

20. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	68,262	101,835
Rental received in advance	33,420	50,077
Other payables and accruals (note (i))	1,049,965	278,418
Accrued stamp duty (note (ii))	963,475	963,475
	2,115,122	1,393,805

(i) Included in the other payables and accruals are (a) manager's fee payable of HK\$138,332,000 (2019: HK\$146,163,000) and (b) consideration payable of HK\$775,350,000 in relation to notes receivable acquired in December 2020 (2019: HK\$Nil).

(ii) The accrual for stamp duty is based on the current stamp duty rate of 4.25% (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 interest in Three Garden Road upon listing.

20. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
0 – 3 months	68,262	101,835

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK\$'000	2019 HK\$'000
Derivative as assets		
Designated as cash flow hedge		
– interest rate swaps (note i)	–	34,344
– cross currency swaps (note ii)	–	26,663
	–	61,007
Designated as fair value hedge		
– interest rate swap (note i)	–	3,419
	–	64,426
Analysed for reporting purpose:		
Shown under current assets	–	3,419
Shown under non-current assets	–	61,007
	–	64,426
Derivative as liabilities		
Designated as cash flow hedge		
– interest rate swaps (note i)	122,115	–
– cross currency swaps (note ii)	1,172	–
	123,287	–
Analysed for reporting purpose:		
Shown under current liabilities	23,704	–
Shown under non-current liabilities	99,583	–
	123,287	–

Notes:

- (i) Interest rate swaps

Cash flow hedge

As at 31 December 2020, the Group entered into interest rate swap contracts 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% (2019: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (Continued)

(i) Interest rate swaps (Continued)

Cash flow hedge (Continued)

	2020	2019
Carrying amount – (liabilities)/assets (HK\$'000)	(122,115)	34,344
Notional amount (HK\$'000)	6,350,000	4,950,000
Maturity date	28 June 2021 to 28 June 2024	28 June 2021 to 28 June 2024
Change in fair value of hedging instruments during the year (HK\$'000)	(184,977)	12,243
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	184,977	(12,243)
Weighted average swap rate (before interest margin)	1.42%	1.54%

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.

(ii) Cross currency swaps

As at 31 December 2020, the Group entered into cross currency swap contracts 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.

	2020	2019
Carrying amount – (liabilities)/assets (HK\$'000)	(1,172)	26,663
Notional amount (US\$'000)	386,400	386,400
Maturity date	17 January 2023	17 January 2023
Change in fair value of hedging instruments during the year (HK\$'000)	(27,678)	44,870
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	27,678	(44,870)
Weighted average exchange rate (US\$: HK\$)	7.7595	7.7595

(iii) Hedging reserve

	Cross currency swaps HK\$'000	Interest rate swaps HK\$'000	Hedging reserve HK\$'000
At as 1 January 2019	(50,439)	35,203	(15,236)
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	44,870	12,243	57,113
Reclassification of fair value adjustment to profit or loss	16,422	(13,754)	2,668
As at 31 December 2019	10,853	33,692	44,545
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	(27,678)	(184,977)	(212,655)
Reclassification of fair value adjustment to profit or loss	13,988	29,736	43,724
As at 31 December 2020	(2,837)	(121,549)	(124,386)

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.

22. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Secured term loan	3,450,000	3,685,000
Unsecured term loan	5,392,635	4,963,635
Unsecured revolving loan	–	850,000
	8,842,635	9,498,635
Less: unamortised front-end fees	(53,710)	(57,572)
	8,788,925	9,441,063
The maturity of bank borrowings is as follows:		
Shown under current liabilities:		
Within 1 year	3,441,549	843,510
Shown under non-current liabilities:		
After 1 year but within 2 years	–	3,674,006
After 2 years but within 5 years	5,347,376	4,923,547
	5,347,376	8,597,553
	8,788,925	9,441,063

As at 31 December 2020, total committed loan facilities amounted to HK\$11,850,000,000 (2019: HK\$9,785,000,000), out of which HK\$8,842,635,000 (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 21.

As security for the term loan granted to the Group, investment properties with an aggregate fair value of HK\$20,979,500,000 as at 31 December 2020 (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. MEDIUM TERM NOTES

	2020 HK\$'000	2019 HK\$'000
Medium term notes	7,664,522	5,552,670
Origination fees	(55,974)	(26,464)
	7,608,548	5,526,206
The maturity of medium term notes is as follows:		
Shown under current liabilities:		
Within 1 year	–	199,929
Shown under non-current liabilities:		
After 1 year but within 2 years	643,000	–
After 2 years but within 5 years	4,400,905	3,839,407
After 5 years	2,564,643	1,486,870
	7,608,548	5,326,277
	7,608,548	5,526,206

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 31 December 2020

Principal amount	Coupon rate (per annum)
US\$686,400,000	2.95% to 3.75%
HK\$2,343,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 2.75% to 4.00%

As at 31 December 2019

Principal amount	Coupon rate (per annum)
US\$386,400,000	3.75%
HK\$2,543,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 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 21.

24. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2019	579,884	–	579,884
Charge (credit) to consolidated income statement during the year	41,890	(275)	41,615
As at 31 December 2019	621,774	(275)	621,499
Charge (credit) to consolidated income statement during the year	37,965	(357)	37,608
As at 31 December 2020	659,739	(632)	659,107

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

As at 31 December 2020, the Group has unutilised tax losses amounting to HK\$497,112,000 (2019: HK\$499,943,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$3,830,000 (2019: HK\$1,665,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$493,282,000 (2019: HK\$498,278,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

25. ISSUED UNITS

	Number of units	HK\$'000
Balance at 1 January 2019	5,847,092,804	24,414,939
Payment of Manager's fee through issuance of new units during the year (note (i))	25,696,507	149,471
Balance at 31 December 2019	5,872,789,311	24,564,410
Payment of Manager's fee through issuance of new units during the year (note (i))	33,353,390	144,741
Balance at 31 December 2020	5,906,142,701	24,709,151

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

25. ISSUED UNITS (CONTINUED)

Note:

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

Issue date	Payment of the Manager's fees for the period	Issue price per unit determined based on the Trust Deed HK\$	Number of units issued	Aggregate issue price HK\$'000
In 2020				
4 March 2020	1.7.2019 to 31.12.2019	4.5550	16,044,212	73,081
4 September 2020	1.1.2020 to 30.6.2020	4.1400	17,309,178	71,660
			33,353,390	144,741
In 2019				
8 March 2019	1.7.2018 to 31.12.2018	6.460	11,410,795	73,714
29 August 2019	1.1.2019 to 30.6.2019	5.303	14,285,712	75,757
			25,696,507	149,471

26. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2020, 33,353,390 (2019: 25,696,507) units were issued as payment for the Manager's fee amounted to HK\$144,741,000 (2019: HK\$149,471,000).

During the year ended 31 December 2020, a tenant issued 8,078,927 and 4,805,410 of its shares at prevailing market prices of HK\$4.20 each and HK\$4.79 each respectively as settlement of trade receivables in an aggregate amount of HK\$54,354,000. The shares are classified as equity instruments at fair value through other comprehensive income.

27. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2020 of HK\$50,857,598,000 (2019: HK\$64,834,322,000) by the number of units in issue of 5,906,142,701 as at 31 December 2020 (2019: 5,872,789,311).

28. NET CURRENT LIABILITIES

At 31 December 2020, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$3,066,262,000 (2019: HK\$2,074,449,000).

29. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2020, the Group's total assets less current liabilities amounted to HK\$64,572,212,000 (2019: HK\$79,379,651,000).

30. OPERATING LEASE COMMITMENTS

At 31 December 2020, minimum lease payments receivable on leases are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	2,268,671	2,416,172
In the second year	1,682,867	1,752,788
In the third year	908,377	1,153,944
In the fourth year	386,244	603,133
In the fifth year	99,050	349,847
Over five years	3,393	90,805
	5,348,602	6,366,689

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which variable rentals are charged based on the percentage of sales. Variable rental income of HK\$18,794,000 (2019: HK\$114,511,000) was received for the year.

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

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

31. CAPITAL COMMITMENT

	2020 HK\$'000	2019 HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	45,083	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2020 HK\$'000	2019 HK\$'000
<i>Rental income</i>			
Keysen Property Management Services Limited (formerly known as The Great Eagle Properties Management Company, Limited)	(a)	8,634	8,340
Eagle Asset Management (CP) Limited	(a)	663	659
Eagle Property Management (CP) Limited	(a)	8,908	9,268
Best Come Limited	(a)	56,448	40,077
Ease Treasure Investment Limited	(a)	10,143	11,065
Noodlemeen Limited	(a)	42	–
<i>Interest income</i>			
HSBC Group ^{1,3}	(b)	7,453	14,543
<i>Building management fee income</i>			
Keysen Property Management Services Limited	(a)	928	928
Eagle Asset Management (CP) Limited	(a)	83	83
Eagle Property Management (CP) Limited	(a)	956	990
Best Come Limited	(a)	5,347	4,078
Ease Treasure Investment Limited	(a)	1,206	1,315
Noodlemeen Limited	(a)	329	–
<i>Rental related income</i>			
Noodlemeen Limited	(a)	50	–
<i>Building management expenses and car park operating expenses</i>			
Keysen Property Management Services Limited	(a)	281,865	293,945
Longworth Management Limited	(a)	53,286	53,286
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(a)	78,514	83,014
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(a)	17,788	43,687
Colliers International Agency Limited ³	(c)	3,456	3,689
<i>Repairs and maintenance fee</i>			
Selex Engineering Services Limited (formerly known as The Great Eagle Engineering Company Limited)	(a)	381	728
Toptech Co. Limited	(a)	369	1,139
Keysen Engineering Company, Limited	(a)	1,208	822
Keysen Property Management Service Limited	(a)	1	5

32. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2020 HK\$'000	2019 HK\$'000
<i>Repairs and maintenance and improvement works contracted to</i>			
Selex Engineering Services Limited ³	(a)	668	1,717
Toptech Co. Limited ³	(a)	207	1,232
Keysen Engineering Company, Limited ³	(a)	8,606	2,286
Keysen Property Management Services Limited ³	(a)	1	19,555
<i>Promotion expenses</i>			
Eagle Property Management (CP) Limited	(a)	(11)	–
GE (LHIL) Lessee Limited	(a)	–	21
<i>Property miscellaneous expenses</i>			
GE (LHIL) Lessee Limited	(a)	141	10
Clever Gain Investment Limited	(a)	–	287
Keysen Engineering Company, Limited	(a)	19	–
<i>Trustee's fee and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited ³	(b)	12,852	14,685
Clever Gain Investment Limited	(a)	–	16
Best Come Limited	(a)	3	94
HSBC Group ^{1,3}	(b)	212	147
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(a) & (d)	281,652	297,677
<i>Finance costs</i>			
Hang Seng Bank Limited ³	(b)	84,949	197,602
The Hongkong and Shanghai Banking Corporation Limited ³	(b)	11,802	(5,379)
<i>Valuation fee</i>			
Colliers International (Hong Kong) Limited ³	(c)	245	270
<i>Additions to investment properties</i>			
Keysen Property Management Services Limited	(a)	–	37,379

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	2020 HK\$'000	2019 HK\$'000
<i>Amount due from (included in trade and other receivables)</i>			
Keyesen Property Management Services Limited	(a) & (e)	40,970	40,970
Longworth Management Limited	(a) & (e)	15,311	15,311
<i>Amount due to (included in trade and other payables)</i>			
Eagle Property Management (CP) Limited	(a) & (e)	13,074	18,875
Eagle Asset Management (CP) Limited	(a) & (e)	138,332	146,287
Selex Engineering Services Limited	(a) & (e)	1,256	1,247
Keyesen Property Management Services Limited	(a) & (e)	10,797	7,035
Keyesen Engineering Company, Limited	(a) & (e)	532	1,007
Toptech Co. Limited	(a) & (e)	1,232	519
GE (LHIL) Lessee Limited	(a) & (e)	–	21
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
Eagle Property Management (CP) Limited	(a) & (f)	1,941	1,414
Keyesen Property Management Services Limited	(a)	1,935	2,103
Best Come Limited	(a)	8,326	8,326
Eagle Asset Management (CP) Limited	(a)	117	117
Ease Treasure Investment Limited	(a)	–	1,661

Notes:

- (a) These companies are the subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates² of the Trustee.
- (c) This company is the principal valuer of Champion REIT or its associates². With effect from 3 December 2020, the principal valuer of Champion REIT or its associates is no longer classified as Connected Person under the REIT Code.
- (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 31 December 2020.
- (e) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (f) A bank guarantee of HK\$1,247,000 (2019: HK\$1,247,000) was received in lieu of deposit.

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

² As defined in the REIT Code.

³ Connected party transactions as defined in the REIT Code.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	–	26,663
Interest rate swaps	–	37,763
	–	64,426
<i>Financial assets at amortised costs</i>		
Notes receivables	2,144,724	215,093
Trade and other receivables	62,844	19,955
Short-term bank deposits	191,485	200,000
Bank balances and cash	1,642,094	1,761,655
	4,041,147	2,196,703
Equity instruments at FVTOCI	77,950	–
Financial liabilities		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	1,172	–
Interest rate swaps	122,115	–
	123,287	–
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	990,779	268,678
Rental deposits received	642,524	695,706
Distribution payable	752,780	783,505
Bank borrowings	8,788,925	9,441,063
Medium term notes	7,608,548	5,526,206
	18,783,556	16,715,158

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies

The Group's major financial instruments include bank borrowings, medium term notes, notes receivables, trade and other receivables, bank balances and cash, time deposit with original maturity over three months, equity instruments at FVTOCI, trade and other payables, deposits received, distribution payable and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, other price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Group has certain bank balances, notes receivables and medium term notes that are denominated in a foreign currency (i.e. US\$) which expose the Group to foreign currency risk. The Group manages its foreign currency risk by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on part of its medium term notes amounted to US\$386,400,000 (2019: US\$386,400,000). The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness. As the foreign currency risk of the medium term notes is hedged, no sensitivity analysis has been prepared accordingly.

The carrying amount of Group's foreign currency denominated monetary assets and liabilities (except for the medium term notes of US\$386,400,000 as mentioned above) at the end of reporting period are as follows:

	Assets		Liabilities	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
US\$	3,277,172	240,405	2,289,906	–

As Hong Kong dollars are pegged to US\$, no material currency risk is expected on US\$ denominated monetary assets and liabilities and no sensitivity analysis has been prepared accordingly.

(ii) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of HIBOR arising from the Group's variable-rate bank borrowings and medium term notes (see notes 22 and 23 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, notes receivables and medium term notes.

The Group manages its interest rate risk for the medium term notes by entering into cross currency swaps to hedge against its exposures to interest rate on certain medium term notes as detailed above.

The Group manages its interest rate risk for variable-rate bank borrowings by entering into interest rate swaps to hedge against its exposures to interest rate on certain variable-rate bank borrowings. The Manager will continue to monitor the interest rate risk to the Group and take further actions by entering interest rate swaps to hedge against any foreseeable interest rate exposure, if necessary.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivatives instruments. For variable-rate term loans and medium term notes, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2019: 50) basis point increase or decrease is used which represents the Manager's assessment of the reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's loss before tax and distribution to unitholders for the year ended 31 December 2020 would increase/decrease by HK\$15,678,000 (2019: HK\$26,958,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate term loans and medium term notes which are not hedged and has an aggregate amount of HK\$3,135,635,000 (2019: HK\$5,392,000,000).

(iii) Other price risk

The Group's listed equity instruments at FVTOCI is measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed equity instruments at FVTOCI measured at fair value had been 10% (2019: Nil) higher/lower, investment revaluation reserve would increase/decrease by HK\$7,795,000 (2019: Nil) for the Group as a result of the changes in fair value of listed equity instruments at FVTOCI.

(iv) Credit risk and impairment assessment

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the property manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Manager regularly reviews the recoverable amount of each individual trade debtor and the credit ratings of notes receivables to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(iv) Credit risk and impairment assessment (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on notes receivables is limited because most of the counterparties are listed entities with satisfactory to high credit rating assigned by international credit-rating agencies.

The credit risk on derivative financial instrument is limited because the counterparties are banks with external high credit rating assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(iv) Credit risk and impairment assessment (Continued)

The trade receivables presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

Based on the ECL assessment, the credit exposures for all the financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2020, loss allowance provision of HK\$1,001,000 (2019: Nil) for trade debtors was recognised.

The following table shows the movement in lifetime ECL that has been recognised as trade debtors under the simplified approach.

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit impaired) HK\$'000	Total HK\$'000
At 1 January 2019 and 31 December 2019	–	–	–
Increase in allowance recognised in profit or loss	–	1,001	1,001
At 31 December 2020	–	1,001	1,001

(v) Liquidity and capital risk management

The Manager monitors and maintains a level of bank balances and cash deemed adequate to finance the Group's operations. In addition, the Manager observes the REIT Code issued by the Securities and Futures Commission of Hong Kong concerning limits on total borrowings and monitors the level of borrowings to be within the permitted limit.

The Group has bank balances and cash and time deposits with original maturity over three months of a total of HK\$1,833,579,000 as at 31 December 2020 (2019: HK\$1,961,655,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK\$11,850,000,000 (2019: HK\$9,785,000,000), of which HK\$8,842,635,000 (2019: HK\$9,498,635,000) was drawn as at 31 December 2020. The undrawn committed revolving credit facilities amounted to HK\$3,007,365,000 as at 31 December 2020 (2019: HK\$286,365,000).

The Group has established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT. 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 Group issued an aggregate principal amount of approximately HK\$2,343,000,000 and US\$686,400,000 as at 31 December 2020 (2019: HK\$2,543,000,000 and US\$386,400,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) *Liquidity and capital risk management (Continued)*

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed revolving credit facility of HK\$3,007,365,000 (2019: HK\$286,365,000) and a balance of approximately HK\$7,841,078,000 (2019: HK\$2,236,000,000) under the guaranteed medium term note programme available for issuance, the Manager considered that the liquidity risk of the Group can be reduced.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by HK\$3,066,262,000 (2019: HK\$2,074,449,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 50% (2019: 45%) of the total gross asset value as required by the REIT Code. As at 31 December 2020, the gearing ratio was 23.0% (2019: 18.0%). The ratio is calculated as total borrowings (principal amounts of bank borrowings and medium term notes) divided by total assets of the Group.

Liquidity and interest risk tables

The following tables detail the Group's expected maturity for its non-derivative financial assets as well as the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables below have been drawn up for non-derivative financial instruments based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a total financial asset and liability basis. For non-derivative financial liabilities, the tables reflect the undiscounted (outflows) of financial liabilities (except Manager's fee payable to be settled by units of Champion REIT) based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) Liquidity and capital risk management (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2020							
<i>Non-interest bearing</i>							
Trade and other receivables	–	62,844	–	–	–	62,844	62,844
<i>Variable interest rate</i>							
Bank balances and cash	0.16	1,642,124	–	–	–	1,642,124	1,642,094
<i>Fixed interest rate</i>							
Notes receivables	4.82	1,975,960	26,069	252,831	–	2,254,860	2,144,724
Time deposit with original maturity over three months	1.05	191,650	–	–	–	191,650	191,485
		2,167,610	26,069	252,831	–	2,446,510	2,336,209
Total		3,872,578	26,069	252,831	–	4,151,478	4,041,147
<i>Non-interest bearing</i>							
Trade and other payables	–	(990,779)	–	–	–	(990,779)	(990,779)
Rental deposits received	–	(157,553)	(175,461)	(309,510)	–	(642,524)	(642,524)
Distribution payable	–	(752,780)	–	–	–	(752,780)	(752,780)
		(1,901,112)	(175,461)	(309,510)	–	(2,386,083)	(2,386,083)
<i>Variable interest rate instruments</i>							
Bank borrowings	1.15	(3,551,398)	(63,448)	(5,491,597)	–	(9,106,443)	(8,788,925)
Medium term notes	1.63	(10,481)	(645,620)	–	–	(656,101)	(643,000)
		(3,561,879)	(709,068)	(5,491,597)	–	(9,762,544)	(9,431,925)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.42	(238,363)	(238,363)	(4,834,078)	(2,940,266)	(8,251,070)	(6,965,548)
Total		(5,701,354)	(1,122,892)	(10,635,185)	(2,940,266)	(20,399,697)	(18,783,556)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) Liquidity and capital risk management (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2019							
<i>Non-interest bearing</i>							
Trade and other receivables	-	19,955	-	-	-	19,955	19,955
<i>Variable interest rate</i>							
Bank balances and cash	2.10	1,761,705	-	-	-	1,761,705	1,761,655
<i>Fixed interest rate</i>							
Notes receivables	4.95	7,944	106,089	121,543	-	235,576	215,093
Time deposit with original maturity over three months	2.51	200,000	-	-	-	200,000	200,000
		207,944	106,089	121,543	-	435,576	415,093
Total		1,989,604	106,089	121,543	-	2,217,236	2,196,703
<i>Non-interest bearing</i>							
Trade and other payables	-	(268,678)	-	-	-	(268,678)	(268,678)
Rental deposits received	-	(250,171)	(142,010)	(303,525)	-	(695,706)	(695,706)
Distribution payable	-	(783,505)	-	-	-	(783,505)	(783,505)
		(1,302,354)	(142,010)	(303,525)	-	(1,747,889)	(1,747,889)
<i>Variable interest rate instruments</i>							
Bank borrowings	3.35	(1,145,546)	(3,919,742)	(5,051,114)	-	(10,116,402)	(9,441,063)
Medium term notes	3.70	(23,809)	(23,809)	(648,952)	-	(696,570)	(643,000)
		(1,169,355)	(3,943,551)	(5,700,066)	-	(10,812,972)	(10,084,063)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.56	(374,409)	(168,709)	(3,546,500)	(1,575,989)	(5,665,607)	(4,883,206)
Total		(2,846,118)	(4,254,270)	(9,550,091)	(1,575,989)	(18,226,468)	(16,715,158)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) Liquidity and capital risk management (Continued)

Liquidity and interest risk tables (Continued)

The following table detail the Group's liquidity analysis for its derivative financial instruments. The tables below have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instrument is prepared based on the expected cash flows as the Manager considers that the expected cash flows are essential for an understanding of the timing of the cash flows of these derivatives, which have been entered into for hedging purposes.

	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2020						
<i>Derivatives – net settlement</i>						
Cross currency swaps	(700)	(133)	(9,505)	–	(10,338)	(1,172)
Interest rate swaps	(6,919)	(4,857)	2,400	–	(9,376)	(122,115)
As at 31 December 2019						
<i>Derivatives – net settlement</i>						
Cross currency swaps	(495)	(700)	44,095	–	42,900	26,663
Interest rate swaps	32,350	27,536	39,888	–	99,774	37,763

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period.

The following table gives information about how the fair values of these financial assets/(liabilities) are determined (in particular, the valuation techniques and inputs used).

Financial assets/(liabilities)	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2020 HK\$'000	2019 HK\$'000		
Listed equity securities classified as equity instruments at FVTOCI in consolidated statement of financial position	77,950	–	Level 1	Quoted bid price in an active market
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position	(1,172)	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 consolidated statement of financial position	(122,115)	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 in both current and last years.

The fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

35. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instruments HK\$'000	Interest payable HK\$'000	Bank borrowings HK\$'000	Medium term notes HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2019	(21,539)	81,513	9,467,812	5,536,292	799,023	15,863,101
Cash flows	14,226	(465,065)	(53,215)	–	(1,581,356)	(2,085,410)
Finance costs (note)	–	466,423	26,466	6,269	–	499,158
Foreign exchange translations	–	–	–	(16,355)	–	(16,355)
Other changes						
Fair value adjustments	(57,113)	–	–	–	–	(57,113)
Distribution declared	–	–	–	–	1,565,536	1,565,536
Other non-cash changes	–	–	–	–	302	302
At 31 December 2019	(64,426)	82,871	9,441,063	5,526,206	783,505	15,769,219
Cash flows	(24,942)	(423,011)	(672,150)	2,087,766	(1,506,717)	(539,054)
Finance costs (note)	–	415,573	20,012	8,126	–	443,711
Foreign exchange translations	–	–	–	(13,550)	–	(13,550)
Other changes						
Fair value adjustments	212,655	–	–	–	–	212,655
Distribution declared	–	–	–	–	1,476,445	1,476,445
Other non-cash changes	–	–	–	–	(453)	(453)
At 31 December 2020	123,287	75,433	8,788,925	7,608,548	752,780	17,348,973

Note: The amounts reclassified from hedging reserve are excluded in the reconciliation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2020 and 2019.

Name	Issued and fully paid share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	HK\$1,000	Property investment
CP (A1) Limited	HK\$1	Property investment
CP (B1) Limited	HK\$1	Property investment
CP (MC) Limited	HK\$1	Property investment
CP (PH) Limited	HK\$1	Property investment
CP (SH) Limited	HK\$1	Property investment
CP (WC) Limited	HK\$1	Property investment
CP Finance Limited	HK\$1	Financing
CP (Portion A) Limited	HK\$2	Property investment
CP (Portion B) Limited	HK\$2	Property investment
CP Success Limited	HK\$1	Financing
CP Wealth Limited	HK\$1	Financing and Treasury
Elegant Wealth Limited	HK\$1	Property investment
Maple Court Limited	HK\$2	Property investment
Panhy Limited	HK\$2	Property investment
Renaissance City Development Company Limited	HK\$20	Property investment
Shine Hill Development Limited	HK\$1,000,000	Property investment
Trump Treasure Limited	HK\$1	Treasury
Well Charm Development Limited	HK\$2	Property investment
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT:		
Champion MTN Limited	US\$1	Medium term notes issuer
Ernest Limited	US\$100	Investment holding
Incorporated in the British Virgin Islands and directly owned and controlled by Champion REIT:		
EAM-Champion REIT Limited	US\$1	Securities investment
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
CP Investments (UK) Limited*	US\$1	Investment holding

* This subsidiary was incorporated during the year ended 31 December 2020.

The Manager is of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

Except for Champion MTN Limited which has issued medium term notes as detailed in note 23, no other subsidiaries had issued any debt securities at 31 December 2020 and 2019 at any time during both years.

Major Real Estate Agents and Contractors

TOP FIVE ESTATE AGENTS

The top five real estate agents and their respective commission paid were given below:

Real estate agents	Nature of service	Commission paid (HK\$)	Relevant cost (%)
Eagle Property Management (CP) Limited	Leasing	17,788,000	70.2
Colliers International Agency Limited	Leasing	3,456,000	13.6
Jones Lang LaSalle Limited	Leasing	1,675,000	6.6
Knight Frank Hong Kong Limited	Leasing	1,000,000	3.9
Cushman & Wakefield (HK) Limited	Leasing	764,000	3.0
Total		24,683,000	97.3

TOP FIVE CONTRACTORS

The top five contractors and their respective value of service were given below:

Contractors	Nature of service	Value of contract (HK\$)	Relevant cost (%)
Keysen Property Management Services Limited	Building management	281,865,000	63.4
Eagle Property Management (CP) Limited	Property and lease management	78,514,000	17.6
Longworth Management Limited	Building management	53,286,000	12.0
Keysen Engineering Company, Limited	Repairs and maintenance expenses	8,606,000	1.9
Cinema City (Langham Place) Limited	Promotion expenses	4,736,000	1.1
Total		427,007,000	96.0

Performance Table

	2020	2019	2018	2017	2016
As at 31 December:					
Net asset value (HK\$'000)	50,857,598	64,834,322	66,760,928	60,351,242	50,534,753
Net asset value per unit (HK\$)	8.61	11.04	11.42	10.36	8.72
The highest traded price during the period (HK\$)	5.11	6.89	5.86	6.25	5.00
The highest premium of the traded price to net asset value per unit ¹	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period	3.51	4.88	5.13	4.18	3.35
The highest discount of the traded price to net asset value per unit	59.2%	55.8%	55.1%	59.7%	61.6%
For the year ended 31 December:					
The distribution yield per unit ²	5.5%	5.2%	4.9%	4.2%	5.5%
The net (loss) profit yield per unit ³	-46.7%	-1.9%	24.9%	33.4%	13.1%

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\$0.2500 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2020 over the closing unit price of HK\$4.53 recorded on 31 December 2020.
3. Net loss yield per unit is calculated based on the loss for the year before distribution to unitholders per unit for the year ended 31 December 2020 over the closing unit price of HK\$4.53 recorded on 31 December 2020.

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
WONG Mei Ling, Marina

Executive Director

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

Independent Non-executive Directors

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

FINANCE AND STRATEGIC PLANNING COMMITTEE OF THE REIT MANAGER

LO Ka Shui (*Chairman*)
WONG Ka Ki, Ada
WONG Mei Ling, Marina

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
Mizuho Bank, Ltd.
Oversea-Chinese Banking Corporation Limited

LEGAL ADVISOR

Baker & McKenzie

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL VALUER

Colliers International (Hong Kong) Limited

UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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