

CHAMPION REIT

your
vehicle for
premium
commercial
properties

inside this issue:

Operational Review and Outlook

**PROPERTY VALUE
INCREASES BY**

**HK\$3 bn to
HK\$43 bn**

**Increase in
1H Revenue to
HK\$1.03 bn**

**THE NET WORTH
NAV OF
HK\$5.69**



TEL 2879 1288

Interim Distribution... HK\$0.1314

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)



Champion REIT
冠君產業信託

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties and is one of Asia's 10 largest REITs by market capitalization. The Trust's focus is on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to 2.85 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Citibank Plaza and Langham Place, one on each side of the Victoria Harbour.

trust profile

trust objective

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

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CORPORATE INFORMATION

Champion REIT

Champion Real Estate Investment Trust

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

REIT Manager

Eagle Asset Management (CP) Limited

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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*)
CHENG Wai Chee, Christopher
HO Shut Kan
LO Kai Shui

Executive Director and Chief Executive Officer

LEE Ching Ming, Adrian

Independent Non-executive Directors

CHA Mou Sing, Payson
ELDON, David Gordon
SHEK Lai Him, Abraham

Audit Committee of the REIT Manager

ELDON, David Gordon (*Chairman*)
LO Ka Shui
SHEK Lai Him, Abraham

Disclosures Committee of the REIT Manager

LEE Ching Ming, Adrian (*Chairman*)
LO Ka Shui
SHEK Lai Him, Abraham

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 Banker

Hang Seng Bank Limited

Legal Advisor

Baker & McKenzie

Auditor

Deloitte Touche Tohmatsu

Principal Valuer

Knight Frank Petty Limited

Unit Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel : (852) 2862 8628
Fax : (852) 2529 6087
Email: hkinfo@computershare.com.hk

Website

www.ChampionReit.com

Stock Code

2778

HIGHLIGHTS

For the six months ended 30 June 2009

The REIT acquired the Langham Place Mall and Office Tower in June 2008. The first-half 2008 financial figures represented mainly the results of Citibank Plaza, and it would not be meaningful to compare the first-half 2009 numbers against the corresponding numbers from a year ago. Therefore unless otherwise stated, comparisons will generally be made against the corresponding numbers for the second half of 2008.

(all \$ figures are in HK\$ million)

	1st Half FY2009	2nd Half FY2008	% Change	1st Half FY2008
Revenue and Distribution				
Total Revenue	\$1,031	\$1,000	+3.1%	\$614
Property Operating Expenses	\$155	\$182	-14.8%	\$97
Expense Ratio	15.0%	18.2%	-3.2% ¹	15.8%
Net Property Income	\$877	\$818	+7.2%	\$516
Fair Value Changes (net)	\$2,389	\$(6,237)	n/a	\$2,866
Profit/(Loss) After Tax	\$2,691	\$(5,948)	n/a	\$3,072
Distributable Income	\$676	\$621	+8.9%	\$416
Distribution Amount	\$609 ²	\$621 ³	-1.9%	\$787 ^{3,4}
Distribution per Unit (HK\$)	0.1314 ²	0.1394 ³	-5.7%	0.1788 ^{3,4}

	As at 30.6.2009	As at 31.12.2008	% Change	As at 30.6.2008
Valuation and Leverage				
Gross Value of Portfolio (HK\$)	43.044 bn	40.049 bn	+7.5%	47.077 bn
Net Asset Value per Unit	HK\$5.69	HK\$5.37	+6.0%	HK\$6.93
Gearing Ratio	33.3%	36.0%	-2.7% ¹	30.5%

Note

1. Absolute change used for figures stated in percentages
2. 90% payout of distributable income
3. 100% payout of distributable income
4. Including effects of financial engineering

OPERATIONAL REVIEW

	1st Half FY2009 HK\$'000	2nd Half FY2008 HK\$'000	% Change	1st Half FY2008 HK\$'000
Revenue				
Citibank Plaza	675,984	644,551	+4.9%	561,432
Langham Place Office	135,085	134,242	+0.7%	20,800 ¹
Langham Place Mall				
- Base Rent	172,862	170,994	+1.1%	25,935 ¹
- Turnover Rent	12,163	15,139	-19.7%	313 ¹
- Other Revenue	35,340	35,078	+0.7%	5,352 ¹
Sub Total - Mall	220,365	221,211	-0.4%	31,600¹
Total Revenue	1,031,434	1,000,004	+3.1%	613,832

Note

1. Approximately one month of income only

Total Revenue for the first half of 2009 was HK\$1,031 million, an increase of 3.1%. The revenue from Langham Place Office Tower increased slightly due to the limited number of lease rollovers during the first half of 2009. Total income from the Langham Place Mall was more or less unchanged in comparison to the second half of 2008. This should however be viewed positively as turnover rent is generally higher in the second half of each year due to the seasonality of shopping activities.

Net Property Income was HK\$877 million, a 7.2% increase. The expense ratio improved from 18.2% to 15.0%. At Citibank Plaza, this was primarily due to lower rental commissions paid because of a lower level of expiries and renewals. At Langham Place, the majority of promotional expenses are incurred in the second half of the year.

Citibank Plaza

The rental market peaked in the third quarter of 2008. As a result of the contraction in demand for office space by financial institutions in the past months, rents in the Central business district fell significantly in the first half of 2009. In line with the general market, spot rents (the rental rate applicable to new leases) at Citibank Plaza have retreated from year end levels of \$120 per sq. ft. to approximately \$85 per sq. ft. in June 2009.

The performance of Citibank Plaza for the first half of 2009 mainly reflected the positive effects of lease rollovers negotiated in 2008 before the current economic downturn set in. Revenue for the Period in fact increased by 4.9% when compared to the second half of last year. During the Period, roughly 5% of the leases in Citibank Plaza by floor area expired and a further 1.5% underwent rent review. While the spot rent has weakened, it is still on average above the expiring rents contracted up to three years ago. Thus, leasing activities have translated into a higher average passing rent rate (the average rental rate of existing contracted tenancies), which rose from HK\$87.46 per sq. ft. in December 2008 to HK\$90.49 per sq. ft. in June 2009.

Average Monthly Passing Rents at Citibank Plaza (HK\$ per sq. ft. of lettable area)

Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
87.46	89.59	90.24	90.24	90.24	90.57	90.49

The increase in passing rent has had a positive impact, and has offset the increase in vacancy. The occupancy rate at Citibank Plaza is now 94.9% as compared to 97.9% at the end of 2008.

OPERATIONAL REVIEW

To cater to the growing requirements by large banking and financial tenants, an asset enhancement exercise was recently completed. The emergency power and back-up chilled water capacities at Citibank Plaza were increased by 60% and 50% respectively. Security turnstiles and a new card access system have also been added to automate control of access to the office floors. With the completion of these projects, Citibank Plaza has improved its competitive position.

Langham Place Office Tower

Office leasing conditions at Langham Place have been stable and the spot rent has been maintained at approximately \$30 per sq. ft. The building remained very full as of 30 June 2009 with an occupancy rate of 97.9%.

Average Monthly Passing Rents at the Langham Place Office Tower (HK\$ per sq. ft. of gross floor area)

Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
26.79	26.77	26.77	26.77	26.77	26.77	26.77

Langham Place's reputation as a proven quality development and its superior subway location have been important factors in retaining the vast majority of expiring leases for 2009. The bulk of this year's lease expiries have already been renegotiated at rents higher than the passing rent rate and occupancy should remain at a high level for the remainder of the year.

Langham Place Mall

The unique experience offered by the Langham Place Mall, together with its focus on mid-priced fashion and well executed promotion events, has continued to attract shoppers. With the slower economy, growth in foot traffic has moderated but systematic discounting by some retailers and better performance of the new anchor tenants has allowed the Mall to maintain the average sales per sq. ft. at approximately the same level as last year. The Mall remains popular among retailers and occupancy of the mall has increased from 97.7% at the end of 2008 to 99.7% at mid-year 2009.

Average Monthly Passing Rent Rate at Langham Place Mall ¹ (HK\$ per sq. ft. of lettable area, excluding turnover rent)

Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
85.51	85.31	86.81	87.97	87.90	88.42	87.93	87.95	88.05	87.31	87.32	87.28	87.28

Note

1. To better demonstrate the underlying trend in rent rates, the passing rent for 2008 has been restated to exclude the impact of license fees and other compensations.

Due to the very wide range of achievable rent rates for individual shops within the 15-level mall, the Average Monthly Passing Rent Rate may go up or down from month to month depending on the locations, and hence higher or lower unit rent rates, of the shops that are subject to lease renewal. For the first half of the year, only approximately 3.1% of the tenancies by floor area expired. Average Passing Rent Rate increased from HK\$85.51 for June 2008 to HK\$87.28 for June 2009. The fact that it has managed to stay within a tight range of HK\$87 – 88 during the highly unfavourable economic climate of the past three quarters is testimony to the quality of the income of Langham Place Mall. The bulk of this year's renewals will occur in the second half of the year.

OVERVIEW

Valuation of Properties

Champion REIT's property portfolio was valued at HK\$43,044 million as of 30 June 2009. This represents a 7.5% increase over previous appraised value. Specifically, the value of Citibank Plaza has increased by 8.4% while the appraised value of Langham Place has increased by 5.7% over the past six months. Capitalization rates used in valuing the Trust's properties have been decreased as a reflection of the strong recovery in transaction prices of commercial properties in the second quarter.

Valuation of Properties ¹	Citibank Plaza HK\$ million	Langham Place HK\$ million	Sub-total HK\$ million
Office	27,809.0	5,415.9	33,224.9
Retail	315.3	8,566.7	8,882.0
Car Park	277.3	187.5	464.8
Miscellaneous	298.4	174.3	472.7
Total	28,700.0	14,344.4	43,044.4

Note

1. as of June 30 2009

In line with the bottoming of property value in December, the current Gearing Ratio at 33.3% has improved from the last reported figure of 36.0%. Pressure on Champion REIT to undergo a capital raising exercise has been relieved.

Per Unit Analysis

Net Asset Value (NAV) per Unit amounted to HK\$5.69, up from the HK\$5.37 reported at the end of 2008. This was due primarily to changes in the fair value of the Trust's properties. Gains from the revaluation of assets are the predominant reason profit after tax is four times bigger than the period's Total Distributable Amount. These accounting profits however do not affect the operating cash flow of the Trust, which explains the discrepancy.

In contrast to the past practice of paying out 100% of its distributable income, for the six months ended 30 June 2009 Champion REIT is paying out only 90% of its distributable income with the aim to increasing its flexibility in dealing with potential uncertainties in the economic environment.

The Distribution per Unit (DPU) for the period was HK\$0.1314. This interim DPU is not directly comparable to DPU from 2008 because of the lower payout ratio this year. 90% of the 2008 second distribution is HK\$0.1255 and on this basis, DPU has increased by 4.7%. To fully appreciate the underlying increase in the Trust's ability to pay out distributions, one can also examine the trend in semi-annual distributable income. This was HK\$416 million a year ago, HK\$621 million six months ago and HK\$676 million for the current period.

OUTLOOK

Central

In Central, vacancy is on the rise. Rent rates have fallen by about a third since the middle of 2008. There are signs however that the pace of the rental downturn may be decelerating. Hong Kong has witnessed a strong rebound in the stock market and the pipeline of deals for investment banks which had been absent for a year is once again forming. Reductions in headcount within the financial sector have for the large part run their course and there have been some indications that demand for office space is stabilising.

Higher levels of financial activity however may not translate immediately into large increases in the overall premises requirements of Hong Kong financial institutions. Unless there is a substantial rebound in demand in the short term, a double-digit vacancy rate at Citibank Plaza is expected by the end of this year. And a recovery in Central office rents is also expected to lag the rebound in financial activity. We are therefore expecting to see lower income from Citibank Plaza for the second half of 2009 and also 2010.

As we look further out, there are already some encouraging signs pointing to a recovery in broader global economy and this could have a stabilising effect on rents. In addition, the medium-term prospects of Central properties, including Citibank Plaza, will continue to be supported by a shortage of new supply. No significant Grade-A office developments are scheduled for completion in Central before 2015.

Kowloon

Across the harbour, the high vacancy levels in Kowloon Bay and Kwun Tong from the recent completion of several new office projects continue to be a source of concern. We have so far managed to keep the occupancy and rent rates at Langham Place Office Tower stable because of the limited volume of lease expiries in 2009 and the location sensitivity of the expiring tenants. The challenge of maintaining full occupancy and office rent levels will be greater in 2010 as a larger proportion of the building is due for lease renewal, with some tenants in the trading and procurement sectors which tend to be less location sensitive. As the only premium grade office property within the key transport hub of Mongkok, the dominance of the Langham Place Office Tower should enable it to compete effectively for tenants. Nonetheless we may have to adopt a more flexible pricing strategy in view of the potential competition from Kowloon East.

On the retail front, the Langham Place Mall has managed to keep its ground in spite of the slower economy. The positive momentum that has been built up at the Mall since the successful tenant mix revamp in 2007/08 has mitigated the impact of a general decline in Hong Kong-wide retail sales this year. Almost all of the leases in the Mall due to expire in the second half, representing more than 10% of the leasable floor area, have already been renegotiated with an overall increase in rents. In addition, turnover rents should make a bigger contribution to income in the second half because of seasonality.

The Trust

Management's focus in the coming six months will be in two areas. Firstly, the Trust will continue to optimize the leasing strategy at its various properties such that the cumulative income of Champion REIT is maximized. Secondly, it is the intention of the Manager to continue to strengthen the capital structure of the Trust. It will accomplish this through the retention of distributable income and cash through the voluntary distribution reinvestment plan.

FINANCIAL REVIEW

Distributions

Distribution Amount

The Distribution Amount of Champion REIT for the six months ended 30 June 2009 was HK\$608,608,000, calculated as 90% of Champion REIT's Total Distributable Income of HK\$676,231,000 for the Period. For the same period last year, the Distribution Amount of Champion REIT was HK\$787,280,000, calculated as 100% of Champion REIT's Total Distributable Income of HK\$416,343,000 for such period plus additional amounts of HK\$370,937,000 at the discretion of REIT Manager.

It is the present policy of REIT Manager to distribute between 90% to 100% of Champion REIT's Total Distributable Income plus any additional amounts at the discretion of REIT Manager, to its Unitholders.

Distribution per Unit

The Distribution per Unit for the six months ended 30 June 2009 was HK\$0.1314. Such Distribution per Unit, however, is subject to dilution upon issuance of units to the REIT Manager for the settlement of manager's fee in respect of the first half of year 2009 and upon receipt of conversion notice, if any, in respect of the two convertible bonds before the record date. Further announcement will be made to inform Unitholders of the final interim Distribution per Unit for the six months ended 30 June 2009.

The Distribution per Unit of HK\$0.1314 represents an annualised distribution yield of 10.35% based on the closing price of HK\$2.54 as at 30 June 2009.

Breakdown of Distribution per Unit

For the period under review, Distribution per Unit attributable to underlying income sources was HK\$0.1460, as compared to HK\$0.0788 for the same period of last year. Further details are given in the table below.

Source of distributions (HK\$ per Unit)	1st Half FY2009	1st Half FY2008
Interest savings from interest rate swap	—	0.0151
Impact of Distribution Waivers	—	0.0013
Unwinding of financial engineering	—	0.0836
Rental and other income	0.1460	0.0788
Discretionary adjustment to distribution	(0.0146)	—
Distribution per Unit	0.1314	0.1788

Distribution Reinvestment Arrangement

A distribution reinvestment scheme is available to Unitholders under which Unitholders are entitled to have a scrip distribution alternative in lieu of a cash distribution. Unitholders can elect to receive their distribution in the form of cash, or in the form of new units of Champion REIT, or a combination of both.

An announcement providing further information on the distribution reinvestment scheme will be published on or about Friday, 4 September 2009 and a circular containing the relevant details together with the relevant election form will be sent to Unitholders on or about Thursday, 10 September 2009.

Closure of Register of Unitholders

The register of Unitholders will be closed from Tuesday, 1 September 2009 to Friday, 4 September 2009 ("Record Date"), both days inclusive, during which period no transfer of units will be effected. The payment date will be on or about Tuesday, 13 October 2009.

In order to qualify for the distribution, all completed transfers (accompanied by the relevant unit certificates) must be lodged with Champion REIT's unit registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 31 August 2009.

Debt Profile

As at 30 June 2009, total outstanding borrowings of the Trust amounted to HK\$14,879 million. The total borrowings comprised of:

- HK\$7,000 million term loan which is repayable in full in May 2011
- HK\$765 million of convertible bonds in principal amount which will mature in May 2011
- HK\$2,454 million term loan which is repayable in full in June 2013
- HK\$4,660 million convertible bonds in principal amount which will mature in June 2013

The maturity profile of the Trust's borrowings is as follows:

	Borrowings as at 30 June 2009	
	HK\$ million	% of total
Maturity		
Due in the first year	—	—
Due in the second year	7,765	52.2
Due in the third year	—	—
Due in the fourth year	7,114	47.8
Total	14,879	100.0

During the period under review, Champion REIT has interest rate swaps ("IRS") with a total notional amount of HK\$7,000 million in order to swap the Trust's floating rate interest payments under the HK\$7,000 million term loan into fixed rate interest payments. The fixed rate for these IRS is 2.865% per annum and will mature in May 2011. The HK\$2,454 million term loan has an interest rate of HIBOR plus 0.59% per annum. As at 30 June 2009, 84% of the Trust's debt (including the convertible bonds) had fixed interest rates.

As at 30 June 2009, the two outstanding convertible bonds issued by two controlled entities of the Trust have the following features:

	Convertible bonds issued in	
	Year 2006	Year 2008
Principal amount:	HK\$765 million	HK\$4,660 million
Yield to maturity:	4.15%	5.25%
Coupon rate:	2% per annum	1% per annum
Maturity date:	23 May 2011	3 June 2013
Redemption price:	110.328%	123.94%
Latest adjusted conversion price:	HK\$4.26	HK\$3.92

During the period under review, the Trust repurchased HK\$20 million of the convertible bonds issued in year 2008 at a price range of 90 to 93 per cent of their principal amounts. The repurchased convertible bonds were cancelled on 24 June 2009.

As at 30 June 2009, total gross assets of the REIT were HK\$44,668.1 million. Therefore, the gearing ratio, or total borrowings as a percentage of gross assets was 33.3%. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 41.0%.

Net Assets Attributable To Unitholders

As at 30 June 2009, net assets attributable to unitholders was HK\$26,332.5 million or HK\$5.69 per Unit, a 124.0% premium to the closing unit price of HK\$2.54 as at 30 June 2009.

Cash Position

As at 30 June 2009, Champion REIT had total undrawn bank loan facilities of HK\$700 million and cash balance of HK\$1,425.6 million. Through its voluntary distribution reinvestment plan for the final 2008 distribution period, the Trust has managed to retain over \$256 million during the period to strengthen the financial position of the Trust. Taking into consideration the financial resources available to the REIT, Champion has sufficient liquid assets to satisfy its working capital and operating requirements.

Pledge of Assets

As at 30 June 2009, properties of Champion REIT with a fair value of HK\$43,044.4 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were mortgaged to the bond trustees to secure the obligations of the issuers of the convertible bonds or pledged to secure the banking facilities granted to the REIT.

Commitments

As at 30 June 2009, the Trust had capital expenditures contracted for but not provided for in these financial statements amounting to HK\$9 million. Other than set out above, the Trust did not have any significant commitments as at 30 June 2009.

Rental Stabilisation Arrangement

Pursuant to a sale and purchase agreement dated 11 December 2006 ("Agreement") for the acquisition of 3 floors and certain car parking spaces in Citibank Plaza, the actual New Property Income (as defined in the Agreement) for the six-month period ended 30 June 2009 was equivalent to HK\$27,082,000. When compared to the stabilisation amount of each six-month period of HK\$30,992,000 under the rental stabilisation arrangement pursuant to the Agreement, variances of HK\$3,910,000 had arisen for the six-month period ended 30 June 2009. Accordingly, sums of approximately HK\$3,910,000 were paid to the Trust on 30 June 2009.

Principles of Corporate Governance

Champion REIT is committed to attaining global best practices and standards for all activities and transactions conducted in relation to the Trust and any matters arising out of its listing or trading on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The current corporate governance framework adopted by the REIT Manager emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures.

The REIT Manager has in place a comprehensive set of compliance procedures and guidelines which set out the key processes, systems and measures used to implement this corporate governance framework. A revised version of the Compliance Manual of the REIT Manager for use in relation to the management of Champion REIT adopted as of 30 June 2009 has been approved by the Securities and Futures Commission ("SFC").

Authorisation Structure and Governance Structure

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the SFC under section 104 of the Securities and Futures Ordinance (Cap. 571) ("SFO") and regulated by SFC pursuant to the provisions of SFO and the Code on Real Estate Investment Trusts (the "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. Mr. Lee Ching Ming, Adrian, the Chief Executive Officer and Executive Director, Mr. Choo Chong Yao, Patrick, the Chief Investment Officer and Mr. Kwong Chi Kwong, the Chief Operating Officer 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.

HSBC Institutional Trust Services (Asia) Limited (the "Trustee") is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, whereas the REIT Manager is responsible to manage Champion REIT in accordance with the Trust Deed and to ensure that the financial and economic aspects of Champion REIT's assets are professionally managed in the sole interests of Unitholders.

The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Deed of Trust constituting Champion REIT ("Trust Deed") entered into between the REIT Manager and the Trustee on 26 April 2006 as amended by a First Supplemental Deed dated 5 December 2006, a Second Supplemental Deed dated 4 February 2008 and a Third Supplemental Deed dated 9 March 2009 respectively.

Board of Directors of the REIT Manager

The Board of 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 presently comprises eight members, three of whom are Independent Non-executive Directors.

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

The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager.

The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete.

Compliance

Applicable Rules and Regulations

During the six months ended 30 June 2009, the REIT Manager has managed the Trust in accordance with the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

Code on Corporate Governance Practices

Various amendments made to the Listing Rules became effective during the Period (the “Revised Listing Rules”). To the extent appropriate and practicable, the Champion REIT and REIT Manager have enhanced its corporate governance practices and disclosure requirements under the Revised Listing Rules, with necessary changes, as if they were applicable to the REIT Manager. Throughout the six months ended 30 June 2009, both the Champion REIT and REIT Manager have complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Code Governing Dealing in Securities of Champion REIT

The REIT Manager has adopted its own Code Governing Dealings in Securities of Champion REIT (“Securities Dealings Code”) by the Directors, the REIT Manager and the executive officers of the REIT Manager (“Management Persons”) on terms no less exacting than the required standard as set out in the Model Code contained in Appendix 10 of the Listing Rules and updated the same in accordance with the new Listing Rules requirements.

The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standards set out in the Securities Dealings Code during the six months ended 30 June 2009.

Review of Interim Results

The unaudited interim results of Champion REIT for the six months ended 30 June 2009 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager, and by the Trust’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions

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

Connected Party Transactions with the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group (if any) for the six months ended 30 June 2009 ("Period").

The Great Eagle Connected Persons Group means any person who is a connected person of Champion REIT by virtue of its relationship with Top Domain International Limited and Keen Flow Investments Limited (each being a significant holder of Champion REIT) and Eagle Asset Management (CP) Limited (the REIT Manager), all of which are wholly owned subsidiaries of Great Eagle Holdings Limited ("Great Eagle").

The SFK Connected Persons Group means any person who is a connected person of Champion REIT by virtue of its relationship with SFK Construction Holdings Limited ("SFK"), which is an associate of Mr. Lo Kai Shui, a director of the REIT Manager, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK.

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	197,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	1,457,000
Langham Hotel International Limited	Subsidiary of Great Eagle	Leasing transaction ²	4,813,000 ³
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	1,998,000 ⁵
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	889,000 ⁷
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁸	3,300,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁹ and car parking fee	1,818,000 ¹⁰
Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction ¹¹	1,502,000 ¹²
China Mobile Peoples Telephone Company Limited	Associate of a Director ¹³	Licence fee ¹⁴	112,000
Total			16,086,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	163,000
Langham Hotel International Limited	Subsidiary of Great Eagle	Building management fee income ²	699,000 ¹⁵
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income ⁴	271,000 ¹⁶
Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Building management fee income ⁶	88,000 ¹⁷
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁸	1,722,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁹	217,000 ¹⁸
Toptech Co. Limited	Subsidiary of Great Eagle	Building management fee income ¹¹	251,000 ¹⁹
Total			3,411,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	43,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	431,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	254,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee expense	25,585,000 ²⁰
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	3,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Marketing expense	27,000
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	Subsidiary of Great Eagle	Marketing expense	16,000
Total			26,359,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions – Insurance Agency Arrangement (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses For the Period HK\$
The Great Eagle Insurance Agency Limited	Subsidiary of Great Eagle	Insurance agency services	763,000
Total			763,000

Notes

- 1 A security deposit by way of a bank guarantee of approximately HK\$837,000 and a damage deposit of HK\$10,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Period end date.
- 2 Security deposits by way of bank guarantees in an aggregate amount of approximately HK\$2,864,000 provided by Langham Hotel International Limited were held by the Trust as at the Period end date.
- 3 These rental incomes were derived from Pre-Existing Agreements with Langham Hotel International Limited. "Pre-Existing Agreements" means the agreements entered into with Great Eagle Connected Persons Group and/or SFK Connected Persons Group prior to completion in June 2008 and continue to subsist after completion of the acquisition of the retail, carpark and certain office portions of Langham Place.
- 4 A security deposit by way of a bank guarantee of approximately HK\$1,160,000 and a damage deposit of HK\$15,000 provided by Langham Place Hotel (HK) Limited were held by the Trust as at the Period end date.
- 5 These rental incomes were derived from a Pre-Existing Agreement with Langham Place Hotel (HK) Limited.
- 6 A security deposit by way of a bank guarantee of approximately HK\$511,000 provided by Main St. Cafe Hong Kong Company Limited was held by the Trust as at the Period end date.
- 7 These rental incomes were derived from a Pre-Existing Agreement with Main St. Cafe Hong Kong Company Limited.
- 8 A security deposit by way of a bank guarantee of approximately HK\$2,593,000 provided by Strong Dynamic Limited was held by the Trust as at the Period end date.
- 9 Security deposits in an aggregate amount of approximately HK\$879,000 provided by The Great Eagle Properties Management Company, Limited were held by the Trust as at the Period end date.
- 10 Out of this HK\$1,818,000, an amount of approximately HK\$823,000 were rental incomes derived from a Pre-Existing Agreement with The Great Eagle Properties Management Company, Limited.
- 11 A security deposit of approximately HK\$869,000 provided by Toptech Co. Limited was held by the Trust as at the Period end date.
- 12 These rental incomes were derived from a Pre-Existing Agreement with Toptech Co. Limited.
- 13 China Mobile Peoples Telephone Company Limited is an associate of Dr. Lo Ka Shui (directors of Great Eagle and the REIT Manager) by virtue of his being an independent non-executive director of China Mobile Limited, the holding company of China Mobile Peoples Telephone Company Limited.
- 14 A security deposit of approximately HK\$37,000 provided by China Mobile Peoples Telephone Company Limited was held by the Trust as at the Period end date.
- 15 These building management fee incomes were derived from Pre-Existing Agreements with Langham Hotel International Limited.
- 16 These building management fee incomes were derived from Pre-Existing Agreement with Langham Place Hotel (HK) Limited.
- 17 These building management fee incomes were derived from a Pre-Existing Agreement with Main St. Cafe Hong Kong Company Limited.
- 18 Out of this HK\$217,000, an amount of approximately HK\$145,000 was building management fee derived from a Pre-Existing Agreement with The Great Eagle Properties Management Company, Limited.
- 19 These building management fee incomes were derived from Pre-Existing Agreement with Toptech Co. Limited.
- 20 Out of this HK\$25,585,000, approximately HK\$24,754,000 represented the amount of reimbursement paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$831,000 represented the amount of reimbursement paid under the CAF Management Agreement (in relation to the common areas/facilities of Langham Place). Both Langham Place Mall Estate Management Agreement and CAF Management Agreement are Pre-Existing Agreements with The Great Eagle Properties Management Company, Limited. Pursuant to the Langham Place Mall Estate Management Agreement, the Mall Estate Manager was entitled to retain at all times an amount equal to one-sixth of the annual expenditure – equivalent to approximately HK\$9,156,000 under the approved budget for the year 31 December 2009; so as to enable the Mall Estate Manager to make payment of mall management expenses.

CONNECTED PARTY TRANSACTIONS

Pre-Existing Agreements

Following the acquisition of the retail, carpark and certain office portions of Langham Place in June 2008, certain agreements (previously entered into with the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group) in relation to the Langham Place continue to subsist.

Pre-Existing Agreements subject to Waiver

The following Pre-Existing Agreements 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 Party	Relationship with Champion REIT	Nature of Transaction	Incomes / Expenses for the Period HK\$
Tenancy Agreements	Langham Hotel International Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	5,512,000
Tenancy Agreement	Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	2,269,000
Tenancy Agreement	Main St. Cafe Hong Kong Company Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	977,000
Tenancy Agreement	The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	969,000
Tenancy Agreement	Toptech Co. Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	1,753,000
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	24,754,000
CAF Management Agreement (in relation to the common areas/facilities of Langham Place)	The Great Eagle Properties Management Company, Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	831,000

CONNECTED PARTY TRANSACTIONS

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

Name / Description of Agreement	Name of Party	Relationship with Champion REIT	Nature of Transaction	Incomes / Expenses for the Period HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	846,000
Office Sub-DMC (sub-deed of mutual covenant) for the Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of the Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense ²	15,311,000
Deed of Delegation	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Delegation of management functions of common areas/facilities	Nil
Naming Right Licence Agreement in relation to the use of Langham Place	The Great Eagle Company, Limited	Subsidiary of Great Eagle	Licence fee income	13,000,000
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services	31,011,000
DMC (deed of mutual covenant) for Citibank Plaza	The Great Eagle Properties Management Company, Limited (as DMC Sub-manager appointed by the DMC Manager of Citibank Plaza)	Subsidiary of Great Eagle	Building management fee expense ³	45,964,000

Notes

- 1 A management fee deposit and sinking fund of approximately HK\$716,000 was also paid to The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the Period end date.
- 2 A management fee deposit and sinking fund of approximately HK\$12,759,000 was also paid to Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Period end date.
- 3 A management fee deposit of approximately HK\$15,566,000 was also paid to The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Citibank Plaza as at the Period end date.

CONNECTED PARTY TRANSACTIONS

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, is the REIT Manager of Champion REIT. The REIT Manager's fee approximately HK\$105,194,000 for such services rendered during the Period are to be settled by the issuance of new Units pursuant to the Trust Deed. Further details of the REIT Manager's fee are set out in note 6 to the condensed consolidated financial statements on page 36 in this Report.

Connected Party Transactions with the Trustee and/or the Trustee Connected Persons Group

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

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

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

Connected Party Transactions - Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/Expense for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	437,000
HSBC Group	Trustee Connected Persons	Bank charge	32,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest/expense	76,981,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions - Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	26,047,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income ²	2,014,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction ²	143,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	22,000
Total			28,226,000

Notes

1 Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited. It acts as the facility agent for each of the term loan and revolving credit facilities in the aggregate amount of (i) HK\$7,200 million (of which HK\$7,000 million term loan was outstanding as at 30 June 2009); and (ii) HK\$2,954 million (of which HK\$2,454 million term loan was outstanding as at 30 June 2009). Syndicates of lenders of both facilities include Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited.

2 Security deposits in an aggregate amount of approximately HK\$10,391,000 provided by the HSBC Group were held by the Trust as at the Period end date.

Connected Party Transactions - Others

During the Period, the trustee fee of approximately HK\$3,713,000 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

Knight Frank Petty Limited ("Knight Frank"), replacing Savills Valuation and Professional Services Limited ("Savills"), was appointed as the principal valuer of Champion REIT with effect from 1 June 2009. During the Period, an amount of approximately HK\$3,000 was paid to Savills and another amount of HK\$90,000 was paid to Knight Frank, for the valuation fees, in their capacity as the principal valuer of Champion REIT.

DISCLOSURE OF INTERESTS

Unitholdings of Connected Persons

As at 30 June 2009, so far as the REIT Manager is aware, the following persons, being connected persons (as defined under the REIT Code) of Champion REIT, hold units of Champion REIT:-

Name	Number of Units Held	Percentage of Unitholdings ⁸
Top Domain International Limited	1,356,265,924 ¹	29.29
Keen Flow Investments Limited	842,719,874 ¹	18.20
Bright Form Investments Limited	596,938,775 ^{1, 6}	12.89
Eagle Asset Management (CP) Limited	94,453,434 ^{1, 2}	2.04
Fine Noble Limited	13,920,090 ¹	0.30
Great Eagle Nichemusic Limited	1,078,721 ¹	0.02
Lee Ching Ming, Adrian	68,920 ³	0.001
Fortune Mega Investments Limited	163,936,151 ⁴	3.54
Wing Tai Corporation Limited	69,932,746 ⁵	1.51
HSBC Group	960,000 ⁷	0.02

Notes:

1 These companies are ultimately wholly-owned by Great Eagle Holdings Limited ("Great Eagle"). Jolly Trend Limited, Alfida Limited, The Great Eagle Company, Limited, Eagle Asset Management Holdings Limited, Sharp Bloom Limited and Great Eagle Net Limited are their intermediate holding companies. All of them are connected persons of Champion REIT under the REIT Code.

HSBC International Trustee Limited ("HITL") as the trustee of a discretionary trust held 33.10% interest in Great Eagle. Certain directors of Great Eagle including Dr. Lo Ka Shui and Mr. Lo Kai Shui (who are also directors 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, Archie are among the beneficiaries of such discretionary trust.

Changes in Unitholdings of these companies during the six months ended 30 June 2009 are set out in the following table:

Name	Units held as at 31 December 2008	Change in Unitholdings
Top Domain International Limited	1,349,495,877	+6,770,047
Keen Flow Investments Limited	781,221,000	+61,498,874
Bright Form Investments Limited	533,029,612	+63,909,163
Eagle Asset Management (CP) Limited	36,453,258	+58,000,176
Fine Noble Limited	12,987,000	+933,090
Great Eagle Nichemusic Limited	1,000,000	+78,721

2 Eagle Asset Management (CP) Limited is a connected person by virtue of its being the management company (as defined under the REIT Code) of Champion REIT.

3 Mr. Lee Ching Ming, Adrian is a connected person by virtue of his being a director of the REIT Manager. His Unitholdings were increased by 4,920 Units as compared with the position as at 31 December 2008.

4 These Units were directly held by Fortune Mega Investments Limited. Its intermediate holding companies Julian Holdings Limited, Kerry Properties Limited, Kerry Properties (Hong Kong) Limited and Spring Capital Holdings Limited were deemed to be interested in the same parcel of Units. Each of them was a connected person by virtue of being an associate of Mr. Ho Shut Kan (a director of the REIT Manager). Their Unitholdings remained unchanged as compared with the position as at 31 December 2008.

5 These Units were directly held by Wing Tai Corporation Limited. Renowned Development Limited and Wing Tai (Cheng) Holdings Limited were its intermediate holding companies that were controlled by Mr. Cheng Wai Chee, Christopher. The Unitholdings were increased by 4,458,361 Units as compared with the position as at 31 December 2008. Further details of Mr. Cheng's interest in Champion REIT are disclosed in the section headed "Interests in Units of Champion REIT".

6 The 596,938,775 Units held by Bright Form Investments Limited are underlying Units, being derivative interests derived from the convertible bonds due 2013 in the principal amount of HK\$2,340,000,000 directly held by Bright Form Investments Limited. Its Unitholdings were increased by 63,909,163 Units as compared with the position as at 31 December 2008 due to an adjustment on conversion price of the convertible bonds due 2013 from HK\$4.39 to HK\$3.92 per Unit with effect from 27 May 2009.

7 The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes, the Trustee and its proprietary subsidiaries ("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 REIT Manager. HSBC Group did not hold any Units as at 31 December 2008.

8 This percentage has been compiled based on the total number of issued units of Champion REIT of 4,630,522,038 as at 30 June 2009.

DISCLOSURE OF INTERESTS

Save as disclosed in the notes above, there was no change in the number of Units held by the connected persons during the period from 1 January 2009 to 30 June 2009.

Interests in Units, Underlying Shares and Debentures of Champion REIT

By virtue of the Trust Deed constituting Champion REIT, certain divisions of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") are deemed to apply (subject to certain exceptions) to the directors and chief executive of the REIT Manager, the REIT Manager and each Unitholder.

As at 30 June 2009, the following persons had interests or short positions in the Units, underlying Units and debentures of Champion REIT or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to the divisions of Part XV of the SFO:

(a) Units and Underlying Units

Name	Number of Units Held ⁵	Percentage of Unitholdings ⁶
Interests of Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	2,905,376,818 ¹	62.74
Cheng Wai Chee, Christopher	82,687,848 ²	1.79
Lee Ching Ming, Adrian	68,920	0.001
Interests of the REIT Manager		
Eagle Asset Management (CP) Limited	94,453,434 ¹	2.04
Interests of Unitholders with 5% or more interests		
Great Eagle Holdings Limited	2,905,376,818 ¹	62.74
HSBC International Trustee Limited	2,907,219,318 ¹	62.78
Top Domain International Limited	1,356,265,924	29.29
Keen Flow Investments Limited	842,719,874	18.20
Bright Form Investments Limited	596,938,775	12.89
Capital Research and Management Company	267,957,000 ³	5.79
Government of Singapore Investment Corporation Pte Ltd.	252,878,000 ⁴	5.46

Notes:

1 Great Eagle was deemed to be interested in a total of 2,905,376,818 Units held by its controlled corporations comprising:

- (a) 1,356,265,924 Units held by Top Domain International Limited directly;
- (b) 842,719,874 Units held by Keen Flow Investments Limited directly;
- (c) 596,938,775 Units being underlying Units of the convertible bonds due 2013 held by Bright Form Investments Limited;
- (d) 94,453,434 Units held by Eagle Asset Management (CP) Limited directly;
- (e) 13,920,090 Units held by Fine Noble Limited directly; and
- (f) 1,078,721 Units held by Great Eagle Nichemusic Limited directly.

HSBC International Trustee Limited ("HITL") was deemed to be interested in these Units in its capacity as a trustee of a discretionary trust which held 33.10% interests in Great Eagle. Certain directors of Great Eagle including Dr. Lo Ka Shui and Mr. Lo Kai Shui (who are also directors 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, Archie are among the beneficiaries of the discretionary trust. Dr. Lo Ka Shui has notifiable interests in the same parcel of Units held by Great Eagle by virtue of his capacity as the controller of Great Eagle for the purpose of the SFO.

2 Among these Units in which Mr. Cheng Wai Chee, Christopher were deemed to be interested:

- (a) 69,932,746 Units were directly held by Wing Tai Corporation Limited, being his indirect controlled corporations; and
- (b) 12,755,102 Units were underlying Units of the convertible bonds due 2013 held by a trust of which he was a beneficiary.

3 Capital Research and Management Company was interested in these Units in its capacity as investment manager.

4 Government of Singapore Investment Corporation Pte Ltd. was interested in these Units in the capacity as investment manager.

5 Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.

6 This percentage has been compiled based on the total number of issued units of Champion REIT of 4,630,522,038 as at 30 June 2009.

DISCLOSURE OF INTERESTS

(b) Debentures

Name	Amount of debentures
Interests of Directors in Debentures¹	
Lo Ka Shui	HK\$2,340,000,000 ²
Cheng Wai Chee, Christopher	HK\$50,000,000 ³

Notes:

- 1 The debentures means the aggregate principal amount of HK\$4,660,000,000 of convertible bonds due 2013 ("2008 Convertible Bonds") issued by Fair Vantage Limited (a wholly owned and controlled entity by Champion REIT). The Trust repurchased HK\$20 million in principal amount of the 2008 Convertible Bonds and the said repurchased convertible bonds have been cancelled on 24 June 2009.
- 2 These interests in 2008 Convertible Bonds were held by Great Eagle as mentioned in note 1(c) under the section headed "Interests in Units of Champion REIT".
- 3 These interests in 2008 Convertible Bonds were held by a trust of which Mr. Cheng Wai Chee, Christopher was a beneficiary as mentioned in note 2(b) under the section headed "Interests in Units of Champion REIT".

Save as disclosed above, as at 30 June 2009, so far as is known to the Directors or chief executive of the REIT Manager:

- (i) no person (other than a Director) is interested (or deemed to be interested) in Units or underlying Units, or holds any short position in Units which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of SFO; and
- (ii) none of the Directors or chief executives of the REIT Manager had any interests (or deemed to be interested) and short positions in the Units, underlying Units and debentures of Champion REIT or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the "Code Governing Dealings in Units by Director, or the Manager" as adopted by the REIT Manager.

OTHER INFORMATION

Real Estate Sale and Purchase

Champion REIT did not enter into any real estate sale and purchase transactions during the Period.

New Units Issued

As at 30 June 2009, the total number of issued Units of Champion REIT was 4,630,522,038. As compared with the position of 31 December 2008, a total of 195,924,219 new Units were issued during the Period in the following manner:

- On 3 April 2009, 51,107,281 new Units were issued to the REIT Manager at the price of HK\$1.92 per Unit (being the Market Price ascribed in the Trust Deed constituting Champion REIT) as payment in full of the manager's fee of approximately HK\$98,126,000 payable by Champion REIT for the six months ended 31 December 2008.
- On 27 May 2009, 144,816,938 new Units were issued at the price of HK\$1.7708 per Unit pursuant to the distribution reinvestment arrangement (the "Arrangement") in respect of the 2008 Final Distribution. Details of the Arrangement were set out in the announcement published by Champion REIT on 27 April 2009 and the circular to Unitholders dated 30 April 2009 respectively.

Managers and Employees

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself. The properties of the Trust are managed by various operating entities, including the REIT Manager, Property Manager, DMC/Estate Managers etc. The following table summarized the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 30 June 2009:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	—	—	13
Leasing	3	11	—
Marketing and promotion	—	9	—
Property management	52	133	—
Contractors/technical staff	132	280	—
Total	187	433	13

Repurchase, Sale or Redemption of Securities

During the period under review, Champion REIT repurchased HK\$20 million of the convertible bonds issued in year 2008 (the "2008 Convertible Bonds") at a price range of 90 to 93 per cent of their principal amounts. The 2008 Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited. The repurchased convertible bonds were cancelled on 24 June 2009.

Save as disclosed above, there was no repurchase, sale or redemption of the securities by Champion REIT or its wholly owned and controlled entities during the Period.

Public Float

As far as the REIT Manager is aware, as at 30 June 2009 the Trust has maintained a sufficient public float with more than 25% of the issued and outstanding Units of Champion REIT being held by the public.

financials

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

(as Manager of Champion Real Estate Investment Trust)

Introduction

We have reviewed the interim financial information set out on pages 26 to 56, which comprises the condensed consolidated statement of financial position of Champion Real Estate Investment Trust ("Champion REIT") and its controlled entities (collectively referred to the "Group") as of 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Manager of Champion REIT is responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

6 August 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		2009 HK\$'000	2008 HK\$'000
	Notes	(unaudited)	(unaudited)
Rental income	4	942,852	560,714
Building management fee income		83,839	51,695
Rental related income		4,743	1,423
Total revenue		1,031,434	613,832
Property operating expenses	5	(154,813)	(97,358)
Net property income		876,621	516,474
Interest income		1,314	6,467
Manager's fee	6	(105,194)	(61,977)
Trust and other expenses		(9,185)	(11,064)
Increase in fair value of investment properties		2,967,192	3,153,241
Change in fair value of derivative component of convertible bonds		(244,641)	274,718
Change in fair value of rental stabilisation arrangement		2,446	(17,228)
Fair value loss upon amendment of interest rate swaps		—	(23,962)
Gain on repurchase of own convertible bonds		2,062	—
Finance costs	7	(381,437)	(249,268)
Profit before tax and distribution to unitholders	8	3,109,178	3,587,401
Income taxes	9	(417,714)	(515,545)
Profit for the period, before distribution to unitholders		2,691,464	3,071,856
Distribution to unitholders, accrued	11	(608,608)	(706,380)
Profit for the period, after distribution to unitholders		2,082,856	2,365,476
Basic earnings per unit	12	HK\$0.60	HK\$1.01
Diluted earnings per unit	12	HK\$0.53	HK\$0.84

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Profit for the period, after distribution to unitholders	2,082,856	2,365,476
Other comprehensive income for the period:		
Cash flow hedge:		
(Losses) gains arising during the period	(36,878)	11,923
Reclassification adjustments included in the condensed consolidated income statement	98,253	78,142
	61,375	90,065
Total comprehensive income for the period	2,144,231	2,455,541

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	Notes	(unaudited)	(audited)
Non-current assets			
Investment properties	13	43,044,400	40,049,000
Rental stabilisation arrangement	14	52,374	53,843
Loan receivables	15	51,845	50,969
Total non-current assets		<u>43,148,619</u>	40,153,812
Current assets			
Trade and other receivables	16	93,868	115,883
Bank balances and cash	17	1,425,644	1,115,408
Total current assets		<u>1,519,512</u>	1,231,291
Total assets		<u>44,668,131</u>	41,385,103
Current liabilities			
Trade and other payables	18	1,038,570	1,066,079
Deposits received		347,351	347,400
Tax liabilities		83,128	43,616
Distribution payable		608,608	620,940
Total current liabilities		<u>2,077,657</u>	2,078,035
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loans	19	9,428,178	9,423,079
Convertible bonds	20	5,769,282	5,409,019
Derivative financial instruments	21	144,017	107,139
Deferred tax liabilities	22	916,459	539,377
Total non-current liabilities, excluding net assets attributable to unitholders		<u>16,257,936</u>	15,478,614
Total liabilities, excluding net assets attributable to unitholders		<u>18,335,593</u>	17,556,649
Net assets attributable to unitholders		<u>26,332,538</u>	23,828,454
Number of units in issue ('000)	23	<u>4,630,522</u>	4,434,598
Net asset value per unit	24	<u>HK\$5.69</u>	HK\$5.37

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2009

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2008	14,012,990	(311,109)	2,805,924	3,036,476	19,544,281
Profit for the period, before distribution to unitholders	—	—	—	3,071,856	3,071,856
Distribution	—	—	—	(706,380)	(706,380)
Cash flow hedges	—	90,065	—	—	90,065
Total comprehensive income for the period	—	90,065	—	2,365,476	2,455,541
Excess of fair value of property interests acquired over acquisition cost (note 28)	—	—	2,941,036	—	2,941,036
Amount received pursuant to Distribution Waiver Amendment Deed (note)	—	—	80,900	—	80,900
Distribution	—	—	(80,900)	—	(80,900)
Issue of units	5,826,664	—	—	—	5,826,664
Unit issue cost	(141,880)	—	—	—	(141,880)
Net assets attributable to unitholders as at 30 June 2008	19,697,774	(221,044)	5,746,960	5,401,952	30,625,642
At 1 January 2009	19,759,751	(516,611)	5,752,658	(1,167,344)	23,828,454
Profit for the period, before distribution to unitholders	—	—	—	2,691,464	2,691,464
Distribution	—	—	—	(608,608)	(608,608)
Cash flow hedges	—	61,375	—	—	61,375
Total comprehensive income for the period	—	61,375	—	2,082,856	2,144,231
Amount received pursuant to Distribution Waiver Amendment Deed (note)	—	—	5,285	—	5,285
Issue of units (note 23)	354,568	—	—	—	354,568
Net assets attributable to unitholders as at 30 June 2009	20,114,319	(455,236)	5,757,943	915,512	26,332,538

Note: Pursuant to the Deed of Amendment of Distribution Entitlement Waiver Deed dated 14 February 2008 ("Distribution Waiver Amendment Deed"), the undertakings made by Top Domain International Limited ("Top Domain"), a wholly owned subsidiary of Great Eagle Holdings Limited, 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 received and recognised directly in the condensed consolidated statement of changes in net assets attributable to unitholders during the period. The rights and obligations of Fortune Mega Investments Limited ("Fortune Mega"), a wholly owned subsidiary of Kerry Properties Limited and Wing Tai Corporation Limited ("Wing Tai") were not affected by the Distribution Waiver Amendment Deed.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

		2009 HK\$'000	2008 HK\$'000
	Note	(unaudited)	(unaudited)
OPERATING ACTIVITIES			
Profit before tax and distribution to unitholders		3,109,178	3,587,401
Adjustments for:			
Increase in fair value of investment properties		(2,967,192)	(3,153,241)
Change in fair value of derivative components of convertible bonds		244,641	(274,718)
Change in fair value of rental stabilisation arrangement		(2,446)	17,228
Fair value loss upon amendment of interest rate swaps		—	23,962
Gain on repurchase of own convertible bonds		(2,062)	—
Manager's fee paid and payable in units		105,194	61,977
Interest income		(1,314)	(6,467)
Finance costs		381,437	249,268
Operating cash flow before movements in working capital		867,436	505,410
Decrease (increase) in trade and other receivables		21,745	(2,405)
(Decrease) increase in trade and other payables		(19,733)	100,537
(Decrease) increase in deposits received		(49)	35,094
Cash generated from operations		869,399	638,636
Interest paid		(156,911)	(66,986)
Hong Kong Profits Tax paid		(1,120)	(84)
NET CASH FROM OPERATING ACTIVITIES		711,368	571,566
INVESTING ACTIVITIES			
Interest received		708	6,407
Cash received from rental stabilisation arrangement		3,915	5,722
Addition of investment properties		(28,208)	(190,759)
Acquisition of property interests	28	—	(2,849,115)
NET CASH USED IN INVESTING ACTIVITIES		(23,585)	(3,027,745)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

		2009 HK\$'000	2008 HK\$'000
	Note	(unaudited)	(unaudited)
FINANCING ACTIVITIES			
Distribution paid		(364,432)	(400,466)
Repurchase of own convertible bonds		(18,400)	—
Proceeds received pursuant to the Distribution Waiver Amendment Deed		5,285	—
Proceeds from issue of new units		—	2,963,999
Proceeds received from amendment of interest rate swaps		—	234,730
Secured term loan raised		—	2,454,000
Transaction costs of secured term loan		—	(16,247)
Proceeds from issuance of bonds		—	2,340,000
Transaction costs of bonds		—	(23,400)
Repayment of bank loan including accrued interest	28	—	(4,301,200)
Issue costs paid		—	(141,880)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(377,547)	3,109,536
NET INCREASE IN CASH AND CASH EQUIVALENTS		310,236	653,357
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		1,115,408	604,943
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH		1,425,644	1,258,300

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. General

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

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

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

2. Principal Accounting Policies

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Hong Kong Accounting Standard 34, Interim Financial Reporting and the Code.

Principal accounting policies

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

A number of new or revised Standards and Interpretations (“new HKFRSs”) are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2008.

HKAS 1 (revised 2007) Presentation of Financial Statements

(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position for the Group.

HKFRS 8 Operating Segments

(effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14, Segment Reporting, require the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, as all of the Group’s operations are located and carried out in Hong Kong, and the sole principal activity of the Group is investing in commercial properties, no segment information by business and geographical segment was presented under HKAS 14 in prior periods. In the current period, Champion REIT adopted HKFRS 8 and the segment information is set out in note 3.

2. Principal Accounting Policies (continued)

Principal accounting policies (continued)

Amendments to HKAS 32 Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation

(effective for annual periods beginning on or after 1 January 2009)

HKAS 32 (Amendments) require that if an entity has instruments, or components of instruments, that impose on the entity an obligation to deliver to the holders a pro-rata share of the net assets of the entity only on liquidation, such instruments, or components, should be presented as equity if certain specific criteria are met. The Manager has considered the amendments and has determined that HKAS 32 (Amendments) has no material impact to the accounting treatment for the units issued to unitholders as the components of the units that would be classified as equity is insignificant. Accordingly, the units continue to be classified as financial liabilities, representing the obligation of Champion REIT to distribute no less than 90% of Champion REIT's distributable income to the unitholders.

The adoption of the remaining new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of the Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) - Int 18	Transfers of Assets from Customers ⁴

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual period beginning on or after 1 January 2010

4 Effective for transfers on or after 1 July 2009

The Manager anticipates that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

3. Segment Information

As described in note 2, the Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Manager, the chief operating decision maker, in order to allocate resources to segments and to assess their performance. Information reported to the Manager for the purpose of resources allocation and assessment performance is more specifically focused on the operating results of the two investment properties, namely Citibank Plaza and Langham Place, with adoption of HKFRS 8 in this year.

Segment information regarding the two investment properties is reported below.

For the six months ended 30 June 2009

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Segment revenue	675,984	355,450	1,031,434
Segment profit	590,828	285,793	876,621
Interest income			1,314
Manager's fee			(105,194)
Trust and other expenses			(9,185)
Increase in fair value of investment properties			2,967,192
Change in fair value of derivative component of convertible bonds			(244,641)
Change in fair value of rental stabilisation arrangement			2,446
Gain on repurchase of own convertible bonds			2,062
Finance costs			(381,437)
Profit before tax and distribution to unitholders			3,109,178
Income taxes			(417,714)
Profit for the period, before distribution to unitholders			2,691,464
Distribution to unitholders, accrued			(608,608)
Profit for the period, after distribution to unitholders			2,082,856

Segment profit represents net property income earned by each investment property before allocation of non-property operating expenses. This is the measure reported by the Manager for the purpose of resources allocation and assessment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

3. Segment Information (continued)

For the six months ended 30 June 2008

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Segment revenue	561,432	52,400	613,832
Segment profit	473,708	42,766	516,474
Interest income			6,467
Manager's fee			(61,977)
Trust and other expenses			(11,064)
Increase in fair value of investment properties			3,153,241
Change in fair value of derivative component of convertible bonds			274,718
Change in fair value of rental stabilisation arrangement			(17,228)
Fair value loss upon amendment of interest rate swaps			(23,962)
Finance costs			(249,268)
Profit before tax and distribution to unitholders			3,587,401
Income taxes			(515,545)
Profit for the period, before distribution to unitholders			3,071,856
Distribution to unitholders, accrued			(706,380)
Profit for the period, after distribution to unitholders			2,365,476

4. Rental Income

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Rental income	929,241	552,879
Car park income	13,611	7,835
	942,852	560,714

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

5. Property Operating Expenses

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Building management fees	87,222	52,675
Car park operating expenses	2,977	1,267
Government rent and rates	25,675	13,814
Legal cost and stamp duty	273	1,195
Promotion expenses	4,845	437
Property and lease management service fee	28,464	16,722
Property miscellaneous expenses	1,745	917
Rental commission	2,584	9,412
Repairs and maintenance	1,028	919
	154,813	97,358

6. Manager's Fee

Pursuant to the Trust Deed, the Manager is entitled to receive 12% of the net property income of Champion REIT as remuneration, provided that the net property income in each semi-annual period commencing from 1 January 2007 equals or exceeds HK\$200 million.

In relation to the properties acquired upon listing, the fee payable to the Manager shall be paid in the form of units in Champion REIT until 31 December 2010. For properties acquired after listing, the Manager has elected to receive 100% of its fee in the form of units in Champion REIT.

7. Finance Costs

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	126,123	149,884
Interest expense on convertible bonds wholly repayable within five years	167,112	43,851
Release of cumulative loss on hedging instrument	87,181	54,884
Other borrowing costs	1,021	649
	381,437	249,268

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

8. Profit before Tax and Distribution to Unitholders

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	1,190	750
Trustee's fee	3,713	4,214
Principal valuer's fee	93	100
Other professional fee and charges	2,849	760
Bank charges	34	31

9. Income Taxes

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	40,632	3,388
– Underprovision in prior year	–	377
	40,632	3,765
Deferred tax		
– Current year	377,082	560,276
– Change in Profits Tax rate	–	(48,496)
	377,082	511,780
	417,714	515,545

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

10. Total Distributable Income

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

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Profit for the period, before distribution to unitholders	2,691,464	3,071,856
Adjustments:		
Manager's fees paid in units	105,194	61,977
Increase in fair value of investment properties	(2,967,192)	(3,153,241)
Change in fair value of derivative components of convertible bonds	244,641	(274,718)
Change in fair value of rental stabilisation arrangement	(2,446)	17,228
Fair value loss upon amendment of interest rate swaps	—	23,962
Non-cash gain	(876)	—
Non-cash finance costs	228,364	157,499
Deferred tax	377,082	511,780
Total distributable income	676,231	416,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

11. Distribution Statement

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Total distributable income (Note 10)	676,231	416,343
Percentage of total distributable income to be distributed (note (i))	90%	100%
Total distributable income to be paid to the unitholders	608,608	416,343
Additional amounts at the discretion of Manager (note (i))	—	370,937
Total distributions to be paid to the unitholders	608,608	787,280
Analysis of total distributions to be paid to the unitholders		
- From the results of the period	608,608	706,380
- From reserve	—	80,900
	608,608	787,280
Distribution per unit to be paid to the unitholders (note (ii))	HK\$0.1314	HK\$0.1788

Notes:

- (i) For the six months ended 30 June 2009, the Manager has determined that Champion REIT shall distribute 90% of total distributable income as the distribution amount.
- For the six months ended 30 June 2008, the Manager distributed 100% of total distributable income, plus additional amounts of HK\$370,937,000 consisting of (a) amount entitled from amendment of interest rate swaps of HK\$290,037,000 (see note 21) and (b) amount received from Distribution Waiver Amendment Deed (see note (iii) below) of HK\$80,900,000, as the distribution amount.
- (ii) The interim distribution per unit of HK\$0.1314 for the six months ended 30 June 2009 is calculated based on the interim distribution to be paid of HK\$608,608,000 for the period and 4,630,522,038 units in issue as at 30 June 2009. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 4 September 2009, which is the record date set for such period.
- The interim distribution per unit of HK\$0.1788 for the six months ended 30 June 2008 was calculated based on the interim distribution paid of HK\$787,280,000 for the period and 4,402,798,833 units (as adjusted for the effect of Distribution Waiver Amendment Deed) (see note (iii) below) as of 8 September 2008, which was the record date for the period.
- (iii) Pursuant to the Distribution Waiver Amendment Deed, Top Domain, Fortune Mega and Wing Tai agreed to waive their entitlements of distributions in respect of their nil unit, 22,959,230 units and 8,839,756 units, respectively, for the interim distribution period in 2008. Without such waiver on distribution entitlement for these units, the distribution per unit for the six months ended 30 June 2008 would be HK\$0.1593.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

12. Basic and Diluted Earnings Per Unit

	2009 HK\$'000	2008 HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period, before distribution to unitholders for the purpose of basic earnings per unit	2,691,464	3,071,856
Effect of dilutive potential units:		
Interest on convertible bonds	167,112	43,851
Change in fair value of derivative components of convertible bonds	244,641	(274,718)
Gain on repurchase of own convertible bonds	(2,062)	—
Profit for the period, before distribution to unitholders for the purpose of diluted earnings per unit	<u>3,101,155</u>	<u>2,840,989</u>
	2009	2008
	(unaudited)	(unaudited)
Number of units		
Weighted average number of units for the purpose of basic earnings per unit	4,487,731,193	3,055,071,605
Effect of dilutive potential units:		
Units to be issued in respect of manager's fee	10,268,689	2,892,794
Convertible bonds	1,372,172,459	337,083,333
Weighted average number of units for the purpose of diluted earnings per unit	<u>5,870,172,341</u>	<u>3,395,047,732</u>
Basic earnings per unit	<u>HK\$0.60</u>	HK\$1.01
Diluted earnings per unit	<u>HK\$0.53</u>	HK\$0.84

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

13. Investment Properties

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
FAIR VALUE		
At the beginning of the period/year	40,049,000	28,343,000
Acquired upon acquisition of property interests (note 28)	—	15,390,000
Additions during the period/year	28,208	193,336
Increase (decrease) in fair value during the period/year	2,967,192	(3,877,336)
At the end of the period/year	43,044,400	40,049,000

The fair value of the Group's investment properties at 30 June 2009 and 31 December 2008 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited ("Knight Frank") and Savills Valuation and Professional Services Limited ("Savills"), independent qualified professional valuers not connected to the Group, respectively. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at end of the reporting period, which is in turn capitalised for the unexpired term of Government lease under which the property is held. 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. The capitalisation rates for the retail and office properties range from 4.3% to 5% (31.12.2008: 5% to 5.25%) and 4.5% (31.12.2008: 5% to 5.25%), respectively.

On 3 June 2008 (the "Completion Date"), the Group completed the acquisition of the retail, carpark and certain office portions of Langham Place. Details of the acquisition are set out in note 28.

The fair value of investment properties acquired at the Completion Date, based on independent valuation performed by Savills, was HK\$15,390,000,000. Transaction costs for the acquisition of the investment properties, including an amount of HK\$125,000,000 paid to the Manager as acquisition fee, amounted to HK\$190,759,000. The valuation was arrived by using the Income Capitalisation Approach based on the net rental income. In arriving at the valuation, the market rentals of all lettable units of the property are assessed and capitalised at market yield expected by investors for this type of property. The market rentals are assessed by reference to the rentals achieved in all lettable units of the properties as well as other lettings of similar properties in the neighbourhood.

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

The Group's investment properties have been mortgaged as security for credit facilities and convertible bonds as detailed in notes 19 and 20, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

14. Rental Stabilisation Arrangement

Pursuant to the rental stabilisation arrangement (the "Arrangement") in relation to the acquisition of three floors and three carparking spaces in Citibank Plaza, Kerry Properties Limited ("Kerry") had undertaken that during the five years commencing from 5 January 2007 (the "Full Rental Stabilisation Period"), the New Property Income (as defined in the Arrangement) for each six-month period ending 30 June and 31 December during the Full Rental Stabilisation Period shall be not less than HK\$30,992,000. The total amount of shortfall receivable from Kerry under the Arrangement is subject to a maximum of HK\$95,222,500 for the Full Rental Stabilisation Period ("Maximum Rental Stabilisation Amount"). On 5 January 2007, Kerry had paid an amount equal to the Maximum Rental Stabilisation Amount into a designated escrow account.

During the period, the Group received an aggregate amount of HK\$3,915,000 (1.1.2008 to 30.6.2008: HK\$5,722,000), which represents the shortfall of New Property Rental of HK\$3,910,000 (1.1.2008 to 30.6.2008: HK\$5,210,000) and interest on the escrow account of HK\$5,000 (1.1.2008 to 30.6.2008: HK\$512,000).

The Arrangement is accounted for as financial derivative and measured at fair value at the end of the reporting period. The fair value gain during the period of HK\$2,446,000 (1.1.2008 to 30.6.2008: fair value loss of HK\$17,228,000) was credited to condensed consolidated income statement. At 30 June 2009 and 31 December 2008, the fair value is determined based on the Black-Scholes model using the assumptions of current market rents at respective end of the reporting periods, expected volatility based on past years historical rent index volatility of grade A central office and the duration of the Arrangement.

15. Loan Receivables

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Loan receivables	<u>51,845</u>	50,969

The amount is unsecured, interest free, receivable in full on 24 May 2011 and is carried at amortised cost using the effective interest rate of 3.42% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

16. Trade and Other Receivables

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Trade receivables	3,307	14,916
Deferred rent receivables	36,034	41,071
Deposits, prepayments and other receivables	54,527	59,896
	93,868	115,883

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

Aging analysis of the Group's trade receivables at the end of the reporting period is as follows:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
0 - 3 months	3,307	14,916

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$3,307,000 (31.12.2008: HK\$14,916,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

17. Bank Balances and Cash

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Cash on hand	16	14
Cash at bank	527,757	200,854
Time deposits	897,871	914,540
	1,425,644	1,115,408

Bank balances carry interest at market rate of 0.001% to 0.01% per annum. Time deposits with a maturity of less than three months carry interest at market rates which range from 0.001% to 0.95% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

18. Trade and Other Payables

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Trade payables	30,282	54,206
Rental received in advance	11,347	7,709
Other payables	146,816	154,039
Accrued stamp duty	850,125	850,125
	1,038,570	1,066,079

The accrual of stamp duty is based on the current stamp duty rate of 3.75% and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing.

The aged analysis of trade payables is as follows:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
0 - 3 months	30,282	54,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

19. Secured Term Loans

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Secured term loans	9,454,000	9,454,000
Loan front-end fee	(25,822)	(30,921)
	9,428,178	9,423,079

The secured term loans comprise the following:

- (i) In relation to the term loan and revolving credit facilities of HK\$7,200,000,000 granted to the Group on 24 May 2006, the total facilities drawn down by the Group as at 30 June 2009 is HK\$7,000,000,000 (31.12.2008: HK\$7,000,000,000). It bears interest at floating interest rate of 3 months Hong Kong Interbank Offered Rate ("HIBOR") plus 0.53% per annum and is repayable in full on 24 May 2011. The interest rate is fixed at the rate of 2.865% per annum by the use of interest rate swaps as set out in note 21.

As security for the facilities granted to the Group, certain investment properties with a fair value of HK\$27,435,300,000 as at 30 June 2009 (31.12.2008: HK\$25,285,300,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

- (ii) In relation to the term loan and revolving credit facilities of HK\$2,954,000,000 granted to the Group on 2 June 2008, the total facilities drawn down by the Group as at 30 June 2009 is HK\$2,454,000,000 (31.12.2008: HK\$2,454,000,000). It bears interest at a floating interest rate of HIBOR plus 0.59% per annum and is repayable in full in June 2013.

As security for the facilities granted to the Group, certain investment properties with a fair value of HK\$14,344,400,000 as at 30 June 2009 (31.12.2008: HK\$13,570,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income, revenue and all other income generated from these properties have been pledged and mortgaged to the syndicated banks.

20. Convertible Bonds

On 22 December 2006, Treasure Source Limited (“2006 Bonds Issuer”), an entity directly wholly-owned and controlled by Champion REIT, issued HK\$765,000,000 2% guaranteed convertible bonds due 2011 (“2006 Bonds”). As security for the 2006 Bonds, certain investment properties with a fair value of HK\$1,264,700,000 as at 30 June 2009 (31.12.2008: HK\$1,193,700,000) together with the assignment of insurance proceeds have been granted and mortgaged in favour of the bond holders by the 2006 Bonds Issuer.

The principal terms of the 2006 Bonds include the following:

Conversion

The holders of the 2006 Bonds are entitled to convert their bonds into units of Champion REIT at any time on or after 1 February 2007 up to and including 13 May 2011 at a conversion price adjusted to HK\$4.26 per unit which came into effect since 27 May 2009 as a result of Excess Distribution (as defined in terms and conditions of the 2006 Bonds) during the period.

If the holder has elected to convert the 2006 Bonds, the 2006 Bonds Issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable.

Redemption

Unless previously converted, redeemed or purchased and cancelled, the 2006 Bonds will be redeemed at 110.328% of their outstanding principal amount on 23 May 2011 (the “2006 Bonds Maturity Date”).

The 2006 Bonds Issuer may redeem the convertible bonds, in whole and not in part, on or at any time after 22 December 2009 but not less than seven business days prior to the 2006 Bonds Maturity Date, if the closing price of the units of Champion REIT on each of the 20 consecutive trading days immediately prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount (as defined below) for each 2006 Bonds divided by the Conversion Ratio (as defined below).

The “Early Redemption Amount” is the principal amount of the convertible bonds plus a gross yield of 4.15% per annum, calculated on a semi-annual basis, from 22 December 2006, the closing date of the convertible bond issue, to the 2006 Bonds Maturity Date.

The “Conversion Ratio” is the principal amount of the convertible bonds divided by the then effective conversion price.

On 3 June 2008, Fair Vantage Limited (“2008 Bonds Issuer”), an entity directly wholly-owned and controlled by Champion REIT, issued HK\$4,680,000,000 1% guaranteed convertible bonds due 2013 (“2008 Bonds”). As security for the 2008 Bonds, certain investment properties with a fair value of HK\$14,344,400,000 as at 30 June 2009 (31.12.2008: HK\$13,570,000,000) together with the assignment of insurance proceeds have been granted and mortgaged in favour of the bond holders by the 2008 Bonds Issuer.

The principal terms of the 2008 Bonds include the following:

Conversion

The holders of the 2008 Bonds are entitled to convert their bonds into units of Champion REIT at any time on and after 3 June 2009 up to the date which is seven days prior to 3 June 2013 at a conversion price adjusted to HK\$3.92 per unit which came into effect since 27 May 2009 as a result of Excess Distribution (as defined in terms and conditions of the 2008 Bonds).

If the holder has elected to convert the 2008 Bonds, the 2008 Bonds Issuer will be required to deliver, in respect of each bond converted; (a) an amount of cash, as elected by the 2008 Bonds Issuer; and (b) units, the number of which should be calculated in accordance to the terms and conditions of the 2008 Bonds.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

20. Convertible Bonds (continued)

Redemption

Unless previously converted, redeemed or purchased and cancelled, the 2008 Bonds will be redeemed at 123.94% of their outstanding principal amount on 3 June 2013 (the “2008 Bonds Maturity Date”).

The 2008 Bonds Issuer may redeem the convertible bonds, in whole and not in part, on or at any time after 3 June 2011 but not less than seven business days prior to the 2008 Bonds Maturity Date, if the closing price of the units of Champion REIT on each of the 20 consecutive trading days immediately prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount (as defined below) for each 2008 Bonds divided by the then effective Conversion Ratio (as defined below).

The “Early Redemption Amount” is the principal amount of the convertible bonds plus a gross yield of 5.25% per annum, calculated on a semi-annual basis, from 3 June 2008, the closing date of the convertible bond issue, to the 2008 Bonds Maturity Date.

The “Conversion Ratio” is the principal amount of the convertible bonds divided by the then effective conversion price.

During the period, the 2008 Bonds Issuer repurchased principal amount of HK\$20,000,000 of the 2008 Bonds at a price range of 90 to 93 per cent of their principal amounts. The repurchased 2008 Bonds were cancelled on 24 June 2009. As at 30 June 2009, the principal amount of 2008 Bonds was HK\$4,660,000,000.

As at 30 June 2009, Great Eagle Holdings Limited, a significant unitholder, through its directly wholly-owned subsidiary, Bright Form Investments Limited, held an aggregate principal amount of HK\$2,340,000,000 of 2008 Bonds (31.12.2008: HK\$2,340,000,000).

The 2006 Bonds and the 2008 Bonds (collectively referred to as the “Bonds”) contain liability components stated at amortised cost and derivative components stated at fair value. The effective interest rates of the liability component of 2006 Bonds and 2008 Bonds are 5.55% and 6.375% per annum, respectively.

As at 30 June 2009, the fair value of the derivative components is based on valuation provided to the Group by an independent valuer. The fair value is determined based on the Binomial model using the assumptions that are supported by observable market data as follows:

	At 30 June 2009		At 31 December 2008	
	2006 Bonds	2008 Bonds	2006 Bonds	2008 Bonds
Unit price	HK\$2.54	HK\$2.54	HK\$2.08	HK\$2.08
Risk-free rate of interest	0.67%	1.84%	0.66%	1.12%
Dividend yield	10.89%	10.89%	15.32%	15.32%
Volatility	48.09%	42.6%	40.0%	40.0%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

20. Convertible Bonds (continued)

The movement of the liability and derivative components of the Bonds for the period is set out as below:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Liability component		
At the beginning of the period/year	5,346,998	747,619
Arising on issuance of 2008 Bonds, net of transaction costs	—	4,434,768
Interest charged	167,112	206,951
Interest paid	(31,028)	(42,340)
Repurchase during the period/year	(19,947)	—
At the end of the period/year	<u>5,463,135</u>	<u>5,346,998</u>
Derivative components		
At the beginning of the period/year	62,021	61,200
Arising on issuance of 2008 Bonds	—	221,832
Change in fair value	244,641	(221,011)
Repurchase during the period/year	(515)	—
At the end of the period/year	<u>306,147</u>	<u>62,021</u>
Total convertible bonds	<u>5,769,282</u>	<u>5,409,019</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

21. Derivative Financial Instruments

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Cash flow hedge - interest rate swaps	144,017	107,139

The Group uses interest rate swaps to minimise the exposure to movements in interest rates in relation to its floating rate term loan described in note 19(i) by swapping from floating rate to fixed rate. The interest rate swaps and the corresponding term loan have the same terms and the Manager considers that the interest rate swaps are highly effective hedging instruments. In the prior period, the interest rate swaps were amended by fixing the swap rate from a step up structure to a fixed rate of 2.865% with effect from the full coupon period commencing 24 February 2008 until maturity on 24 May 2011. In consideration of the amendment, the counterparty agreed to pay to the Group a total amount of HK\$290,037,000, of which HK\$234,730,000 was paid on 15 May 2008 and the remaining balance of HK\$55,307,000 will be paid on 24 May 2011. At the date of amendment, a fair value loss of HK\$23,962,000 was recognised in the condensed consolidated income statement.

At 30 June 2009 and 31 December 2008, major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK\$7,000,000,000	24 May 2011	From 3 months HIBOR plus 0.53% to a fixed rate of 2.865% per annum

The above derivatives are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

22. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At the beginning of the period	116,933	442,486	(20,042)	539,377
Charge (credit) to condensed consolidated income statement during the period	42,526	335,639	(1,083)	377,082
At the end of the period	159,459	778,125	(21,125)	916,459

At the end of the reporting period, the Group has unutilised tax losses of HK\$467,801,000 (31.12.2008: HK\$404,910,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$128,036,000 (31.12.2008: HK\$121,466,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$339,765,000 (31.12.2008: HK\$283,444,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

As at 30 June 2009, the Group has deductible temporary differences of HK\$1,077,743,000 (31.12.2008: HK\$2,010,759,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. Number of Units in Issue

	Number of units	HK\$'000
		(unaudited)
At 1 January 2009	4,434,597,819	19,759,751
Units issued for settlement of manager's fee	51,107,281	98,126
Units issued under distribution reinvestment scheme	144,816,938	256,442
At 30 June 2009	4,630,522,038	20,114,319

On 3 April 2009, 51,107,281 units at HK\$1.92 per unit were issued to the Manager as settlement of manager's fee for the period from 1 July 2008 to 31 December 2008.

On 27 May 2009, 144,816,938 units at HK\$1.7708 per unit were issued under distribution reinvestment scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

24. Net Asset Value Per Unit

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2009 of HK\$26,332,538,000 (31.12.2008: HK\$23,828,454,000) by the number of units in issue of 4,630,522,038 (31.12.2008: 4,434,597,819 units) as at 30 June 2009.

25. Net Current Liabilities

At 30 June 2009, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$558,145,000 (31.12.2008: HK\$846,744,000).

26. Total Assets Less Current Liabilities

At 30 June 2009, the Group's total assets less current liabilities amounted to HK\$42,590,474,000 (31.12.2008: HK\$39,307,068,000).

27. Capital Commitments

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
	(unaudited)	(audited)
Capital expenditure in respect of additions to investment properties contracted but not provided for	8,968	31,070
Capital expenditure in respect of additions to investment properties authorised but not contracted for	8,738	8,812

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

28. Acquisition of Property Interests

On 14 February 2008, Champion REIT entered into sale and purchase agreements (the “Agreements”) with The Great Eagle Company Limited, Acefield Investments Limited and Truefaith Developments Limited (all being connected persons for Champion REIT within the meaning of the Code) (hereinafter collectively referred to as the “Vendor Companies”) whereby Champion REIT has agreed to acquire the commercial property interests in Langham Place and its related assets and liabilities (the “Property Interests”) held by Renaissance City Development Company Limited, Ernest Limited and Best Noble Enterprises Limited.

The transaction was completed on 3 June 2008. The consideration of HK\$8,302,279,000 and the Property Interests acquired of HK\$11,243,315,000, resulted in an excess of Property Interests acquired over the acquisition cost. The difference of HK\$2,941,036,000 between the Property Interests acquired from the Vendor Companies over the acquisition cost was included in the condensed consolidated statement of changes in net assets attributable to unitholders.

Property Interests acquired are as follows:

	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Investment properties		15,390,000
Trade and other receivables		51,975
Bank balances and cash		297,517
Trade and other payables		(55,273)
Deposits received		(139,704)
Bank loan (including accrued interest up to 2 June 2008)		(4,301,200)
Net assets acquired		<u>11,243,315</u>
Total consideration satisfied by:		
- Cash paid to the Vendor Companies	(3,146,632)	
- Cash payable to the Vendor Companies	(3,252)	
- Fair value of convertible bonds issued and subscribed	(2,340,000)	
- Fair value of units issued	(2,812,395)	(8,302,279)
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition		<u>2,941,036</u>
Net cash outflow arising on acquisition:		
Cash consideration to the Vendor Companies		(3,146,632)
Bank balances and cash acquired		297,517
		<u>(2,849,115)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

29. Major Non-cash Transactions

During the period, 51,107,281 units were issued as payment for the manager's fee, amounting to HK\$98,126,000.

During the period, 144,816,938 units were issued in lieu of payment for the final distributions of year 2008 amounting to HK\$256,442,000 pursuant to the distribution reinvestment scheme.

30. Connected and Related Party Transactions

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

	Notes	2009 HK\$'000	2008 HK\$'000
		(unaudited)	(unaudited)
<i>Rental income</i>			
China Mobile Peoples Telephone Company Limited	(a)	112	101
Langham Hotels International Limited	(b)	4,813	749
Langham Place Hotel (HK) Limited	(b)	1,998	311
Main St. Cafe Hong Kong Company Limited	(b)	889	487
Strong Dynamic Limited	(b)	3,300	3,315
The Great Eagle Properties Management Company, Limited	(b)	1,818	1,123
The Great Eagle Company, Limited	(b)	13,000	2,022
Toptech Company Limited	(b)	1,502	221
Eagle Asset Management (CP) Limited	(b)	197	73
Eagle Property Management (CP) Limited	(b)	1,457	—
HSBC Group*	(c)	26,190	16,977
<i>Interest income</i>			
HSBC Group*	(c)	437	6,467
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	1,722	1,722
The Great Eagle Properties Management Company, Limited	(b)	217	94
Langham Hotels International Limited	(b)	699	109
Langham Place Hotel (HK) Limited	(b)	271	42
Toptech Limited	(b)	251	39
Main St. Cafe Hong Kong Company Limited	(b)	88	68
Eagle Property Management (CP) Limited	(b)	163	—
HSBC Group*	(c)	2,036	1,621
<i>Building management fee</i>			
The Great Eagle Properties Management Company, Limited	(b)	72,395	50,300
Longworth Management Limited	(b)	15,311	2,382
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	28,464	16,721

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

30. Connected and Related Party Transactions (continued)

	Notes	2009 HK\$'000	2008 HK\$'000
		(unaudited)	(unaudited)
<i>Rental commission and sundries</i>			
Eagle Property Management (CP) Limited	(b)	2,562	6,863
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	348	267
Toptech Company Limited	(b)	346	—
Keysen Engineering Company Limited	(b)	70	—
The Great Eagle Properties Management Company, Limited	(b)	3	8
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	254	332
Toptech Company Limited	(b)	431	—
Keysen Engineering Company Limited	(b)	43	—
The Great Eagle Properties Management Company, Limited	(b)	3	8
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	27	—
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	(b)	16	—
<i>Insurance fee</i>			
The Great Eagle Insurance Agency Limited	(b)	763	680
<i>Trustee's fee</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	3,713	4,214
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(e) & (f)	105,194	61,977
<i>Acquisition cost for investment properties</i>			
Eagle Asset Management (CP) Limited	(b)	—	125,000
HSBC Institutional Trust Services (Asia) Limited	(c)	—	100
Hang Seng Bank Limited^	(c)	—	16,247
Savills Valuation and Professional Services Limited	(d)	—	400
<i>Finance costs</i>			
Hang Seng Bank Limited^	(c)	77,013	115,545
<i>Valuation fee</i>			
Savills Valuation and Professional Services Limited	(d)	3	269
Knight Frank Petty Limited	(d)	90	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

30. Connected and Related Party Transactions (continued)

Balances with related parties as are as follows:

	Notes	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
		(unaudited)	(audited)
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (f)	26,060	26,036
The Great Eagle Company, Limited	(b) & (f)	—	21
Longworth Management Limited	(b) & (f)	15,311	15,311
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (f)	9,726	24,079
Eagle Asset Management (CP) Limited	(b) & (f)	105,194	98,126
Toptech Company Limited	(b) & (f)	1,134	759
The Great Eagle Engineering Company Limited	(b) & (f)	1,440	3,042
The Great Eagle Properties Management Company, Limited	(b) & (f)	11,080	10,788
Keysen Engineering Company Limited	(b) & (f)	33	51
The Great Eagle Insurance Agency Limited	(b) & (f)	283	—
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
China Mobile Peoples Telephone Company Limited	(a)	37	37
Eagle Property Management (CP) Limited	(b) & (g)	10	10
Main St. Cafe Hong Kong Company Limited	(b) & (h)	—	10
The Great Eagle Properties Management Company, Limited	(b)	879	879
Toptech Company Limited	(b)	869	869
Strong Dynamic Limited	(b) & (i)	—	—
Langham Hotel International Limited	(b) & (j)	—	—
Langham Place Hotel (HK) Limited	(b) & (k)	15	15
HSBC Group*	(c)	10,391	10,396

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

30. Connected and Related Party Transactions (continued)

Notes:

- (a) This company is an associate of Dr. Lo Ka Shui (the Chairman of Champion REIT and a director of Great Eagle Holdings Limited) by virtue of Dr Lo's being an independent non-executive director of the ultimate holding company of this company.
- (b) These companies are the subsidiaries of Great Eagle Holdings Limited, a significant holder of Champion REIT units.
- (c) These companies are the Trustee or associates of the Trustee.
- (d) These companies are the principal valuer of Champion REIT or its associates.
- (e) 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 2009 and 30 June 2008.
- (f) The amounts due from and due to related parties are unsecured, interest-free and have no fixed repayment terms.
- (g) In addition of HK\$10,000 received for damage deposit, a bank guarantee of HK\$837,000 was received in lieu of deposit.
- (h) A bank guarantee of HK\$511,000 (31.12.2008: HK\$511,000) was received in lieu of deposit.
- (i) A bank guarantee of HK\$2,593,000 (31.12.2008: HK\$2,593,000) was received in lieu of deposit.
- (j) A bank guarantee of HK\$2,864,000 (31.12.2008: HK\$2,864,000) was received in lieu of deposit.
- (k) In addition of HK\$15,000 received as damage deposit, a bank guarantee of HK\$1,160,000 (31.12.2008: HK\$1,160,000) was received in lieu of deposit.
- * 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.
- ^ Hang Seng Bank Limited is the facility agent under the term loan and revolving credit facility of HK\$7,200 million (of which HK\$7,000 million term loan was drawn down on 24 May 2006 and outstanding at 30 June 2009) and HK\$2,954 million (of which HK\$2,454 million term loan was drawn down on 3 June 2008 and outstanding at 30 June 2009).

INVESTMENT PROPERTIES PORTFOLIO

As at 30 June 2009

Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Citibank Plaza	3 Garden Road, Central, Hong Kong	1992	1,559,000	1,213,000	94.9%	28,700.0
Langham Place	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	1,293,000	1,022,000	98.4%	14,344.4

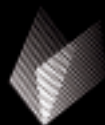
PERFORMANCE TABLE

As at 30 June 2009

	Six Months ended 30 June 2009	Six Months ended 30 June 2008	Six Months ended 30 June 2007	Period from 26 April 2006 to 30 June 2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net asset value (HK\$'000)	26,332,538	30,625,642	17,989,932	16,365,139
Net asset value per unit (HK\$)	5.69	6.93	6.44	5.97
The highest traded price during the period (HK\$)	2.760	4.850	4.690	4.375
The highest premium of the traded price to net asset value	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	1.560	3.500	3.690	3.775
The highest discount of the traded price to net asset value	72.58%	49.49%	42.70%	36.77%
Distribution yield per unit	5.17%	4.95%	3.05%	N/A
Annualized distribution yield per unit	10.35%	9.91%	6.10%	N/A
Net profit yield per unit	22.88%	19.26%	8.02%	0.17%
Annualized net profit yield per unit	45.76%	38.52%	16.04%	1.63%

Notes:

1. The highest traded price is lower than the net asset value. 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\$0.1314 (30.6.2008: HK\$0.1788) for the six months ended 30 June 2009 over the traded price of HK\$2.54 (30.6.2008: HK\$3.61) as at 30 June 2009.
3. Net profit yield per unit is calculated based on the profit for the period before distribution to unitholders per unit for the six months ended 30 June 2009 over the traded price of HK\$2.54 (30.6.2008: HK\$3.61) as at 30 June 2009.



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