



CHAMPION REIT

冠君產業信託

INTERIM REPORT 中期報告 2011



Champion REIT
冠君產業信託

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

GLOBAL BEST PRACTICES AND STANDARDS

Champion REIT is committed to attaining global best practices and standards. Champion REIT's interpretation of 'global best practices and standards' is based upon six key principles:

- Ensuring the Basis for an Efficient Corporate Governance Framework
- The Rights of Unitholders and Key Ownership Functions
- The Equitable Treatment of Unitholders
- The Role of Stakeholders in Corporate Governance
- Disclosure and Transparency
- The Responsibilities of the Board

The REIT Manager has adopted compliance procedures and applies them to ensure the sound management and operation of Champion REIT. The current corporate governance framework emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures.

TRUST PROFILE

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 OBJECTIVES

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



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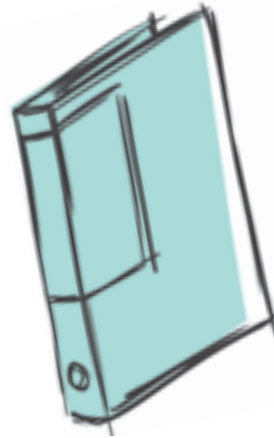
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CORPORATE INFORMATION

CHAMPION REIT

Champion Real Estate Investment Trust

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

REIT MANAGER

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

BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

LO Ka Shui (Chairman)
CHENG Wai Chee, Christopher
HO Shut Kan
LO Kai Shui

Executive Director

LEE Ching Ming, Adrian (Chief Executive Officer)

Independent Non-executive Directors

CHA Mou Sing, Payson
SHEK Lai Him, Abraham
IP Yuk Keung, Albert

AUDIT COMMITTEE OF THE REIT MANAGER

IP Yuk Keung, Albert (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

RESPONSIBLE OFFICERS OF THE REIT MANAGER

LEE Ching Ming, Adrian
CHOO Chong Yao, Patrick
KWONG Chi Kwong

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



FINANCIAL HIGHLIGHTS

(in HK\$'million, unless otherwise specified)

	6 Months Ended 30 Jun 2011	6 Months Ended 31 Dec 2010	% Change	6 Months Ended 30 Jun 2010	% Change
Total Revenue	950	917	+ 3.6%	959	-0.9%
Property Operating Expenses	186	188	-1.1%	179	+ 3.9%
Net Property Income	765	729	+ 4.9%	780	-1.9%
Profit After Tax	3,877	4,326 ¹	-10.4%	983 ¹	+ 294.4%
Distributable Income	569	510	+ 11.6%	574	-0.9%
Distribution Amount	518	537	-3.5%	530	-2.3%
Distribution per Unit (HK\$)	0.1048	0.1086	-3.5%	0.1076	-2.6%
Expense Ratio (%)	19.6	20.5	-0.9% ²	18.7	+ 0.9% ²

	At 30 Jun 2011	At 31 Dec 2010	% Change
Gross Value of Portfolio	53,522	50,223	+ 6.6%
Net Asset Value per Unit (HK\$)	7.42	6.72 ¹	+ 10.4%
Gearing Ratio (%)	25.7	28.4	-2.7% ²

Notes:

- 1 The comparative figures have been restated as a result of the adoption of the amendments to Hong Kong Accounting Standard 12, "Income Taxes". Please refer to note 2 to the interim financial report for details.
- 2 Absolute change is used for figures stated in percentages.

OPERATIONAL REVIEW

OVERVIEW

Gross Revenue for the six months ended 30 June 2011 was HK\$950 million, a decrease of 0.9% compared to the same period a year ago. Net Property Income also decreased by 1.9% to HK\$765 million. However when comparisons are made to the second half of 2010, Gross Revenue improved by 3.6% while Net Property Income increased by 4.9%. The improvement over the last six months was due in part to the reduced vacancy at Citibank Plaza. Income from Langham Place also continued to grow as both the office and retail portions saw very high occupancies with improving rent levels. Operating expenses increased from HK\$179 million in the first half of 2010 to HK\$186 million because of slightly higher rental commissions paid in line with higher occupancy at Citibank Plaza.

As a result of a HK\$3,299 million increase in the appraised value of the Trust's properties, the Gearing Ratio as of 30 June 2011 improved further to 25.7% from 28.4% as at 31 December 2010. Net Asset Value was HK\$7.42 per Unit as compared to HK\$6.72 per Unit at 31 December 2010. (Net Assets for 2010 have

been restated because of new accounting standards that are being introduced in Hong Kong. Under the new standards, deferred taxes are no longer provided on upward revaluation of investment properties. Prior to the restatement, the Net Asset Value per Unit as at 31 December 2010 was HK\$6.36.)

Net Profit After Tax increased to HK\$3,877 million for the Period. Excluding revaluation gains and other items that are non-cash in nature, Distributable Income for the Period was HK\$569 million, down 0.9% from the first half of 2010. The Distribution Amount, after retention of HK\$57 million (first 6 months of 2010: HK\$57 million) for future use, is HK\$518 million. The Distribution per Unit ("DPU") for the Period will be HK\$0.1048, down 2.6% from the same period a year ago. DPU is not directly comparable to the second half of 2010 as the distribution retention mechanisms are different for the first and second halves of each year but Distributable Income for the Period showed an 11.6% improvement over the second half of 2010.

	1st Half FY2011	2nd Half FY2010	% Change	1st Half FY2010	% Change
	HK\$'000	HK\$'000		HK\$'000	
Citibank Plaza					
Revenue	569,873	535,513	+ 6.4%	593,985	-4.1%
Operating Expenses	106,292	87,575	+ 21.4%	99,729	+ 6.6%
Net Property Income	463,581	447,938	+ 3.5%	494,256	-6.2%
Langham Place Office					
Revenue	126,392	132,992	-5.0%	134,514	-6.0%
Operating Expenses	25,500	25,201	+ 1.2%	26,412	-3.5%
Net Property Income	100,892	107,791	-6.4%	108,102	-6.7%
Langham Place Mall					
Revenue	254,169	248,508	+ 2.3%	230,399	+ 10.3%
Operating Expenses	53,760	75,692	-29.0%	52,615	+ 2.2%
Net Property Income	200,409	172,816	+ 16.0%	177,784	+ 12.7%

CITIBANK PLAZA

Citibank Plaza is one of the largest Grade-A commercial complexes in Hong Kong's Central district with a lettable floor area of over 1.2 million sq. ft. It consists of two office towers, which are intelligent buildings that are capable of meeting the demanding technical specifications of global financial institutions, and a retail podium.

Strong demand for office space in Central during the second half of last year continued into the first quarter of 2011 while supply in the district remained limited. As a result, spot rent rates for Grade-A offices rose another 20% during the first quarter of 2011, after an increase of over 30% in the second half of 2010. Going into the second quarter of 2011, however, demand for Central offices began to slow down. The unusually rapid increase in rent rates in the preceding 9 months began to meet resistance from tenants. Faced with rent increases of more than 50% over their existing leases, some tenants have chosen to relocate outside of Central or to lower-grade premises. At the same time signs of slowdown in the US economy and the financial instability in EU countries served to cultivate a more cautious attitude for companies considering expansion. Investment banks in particular, facing tightened regulations and hence lower profitability, have not been active takers of space. As a result, demand for new office space began to moderate with many businesses adopting a wait-and-see mentality, putting off potential expansion plans until confidence returns to the financial markets. While overall vacancy rates in Central still remain low, the rise in rents appeared to have slowed down in the second quarter.

There has been some progress on leasing at Citibank Plaza during the first half of 2011. At the beginning of the year, 18.5% of the building by floor area was vacant while a further 30.1% was due for renewal within the year. New leasing representing 14.3% of the floor area commenced during the first half but in the same period leases on 7.2% of the floor area expired without renewal. The net gain in occupancy was only 7.1%. At mid-year 2011 the vacancy rate has improved to 11.4% while the outstanding lease expiries in 2011 yet to be settled have been reduced to only 5% of the total floor area.

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

Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11
84.67	84.47	85.01	84.97	85.05	85.35	84.33

Spot rents at Citibank Plaza improved from around HK\$100 per sq. ft. at the end of 2010 to roughly HK\$120 per sq. ft during the first half. While spot rent rates have moved up considerably from last year, a number of the larger leases commencing in 2011 were negotiated in 2010 when rent levels were still below HK\$100 per sq. ft. As the average rent for space expiring in the first half of 2011 was HK\$97.61, passing rental rates (the average rental rate of existing contracted tenancies) at Citibank Plaza remained flat over the Period, even with more recent leases signed at higher rent rates.

Net Property Income at Citibank Plaza fell by 6.2% year-on-year to HK\$464 million. Revenue decreased from HK\$594 million for the first half of 2010 to HK\$570 million for 2011 because the average passing rent for the Period was HK\$3 per sq. ft. lower and the average occupancy was 0.7% lower than a year ago. Expenses went up largely due to higher agency commissions and other costs associated with the larger volume of new leasing done during the Period. Nevertheless, when compared to the second half of 2010, Net Property Income was up 3.5% on the back of the higher rental revenue of HK\$570 million, which went up 6.4% from HK\$535 million.

LANGHAM PLACE OFFICE TOWER

The Langham Place Office Tower is a 700,000 gross sq. ft. 59-storey office tower located within the Langham Place mixed-use development. It is a Grade-A office property in Mongkok, a major transport hub in Kowloon and a busy shopping district. The building focuses on tenants involved in the services and lifestyle industries.

OPERATIONAL REVIEW

The occupancy rate increased slightly from 99.4% as of 31 December 2010 to 99.6%. Continuing expansion of service sector created sustained demand for office space in Kowloon while competitive pressure from the peripheral Kowloon East area has eased considerably as the bulk of the vacant space there was finally taken up in 2010. Consequently, rents in the Central and Western Kowloon districts have edged up in the past few quarters.

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

Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11
26.40	26.45	26.47	26.58	26.74	26.83	26.93

Over the first half of 2011, spot rents have been raised progressively at the Langham Place Office Tower. At the end of 2010, the spot rents were between HK\$25-33 per sq. ft. They have now increased to HK\$32-38 per sq. ft. depending on the floor level and the tenants' location sensitivity. Passing rents have begun to rise as a result of the new pricing levels and they were HK\$26.93 per sq. ft. as of June 30. As most of the leases that commenced in the first half of 2011 were locked in last year and there was no additional vacant space to lease out, only a little of the recent increase in spot rents has started to feed through as yet.

Revenue at the Office Tower was HK\$126 million, compared to HK\$135 million for the corresponding period in 2010. Passing rent and occupancy have been stable and this decline in revenue is primarily due to the expiry of a naming right agreement at the end of last year, and the loss of associated income of about HK\$7 million. Operating expenses were generally stable and Net Property Income fell in line with revenue, from HK\$108 million to HK\$101 million.

LANGHAM PLACE MALL

Langham Place Mall is a 15-level, 600,000 gross sq. ft. 'vertical' mall focusing on mid-priced fashion, beauty products and food & beverage. It anchors the Langham Place development and offers a unique shopping experience through its distinct architectural features and its innovative promotion events. The Mall has built its reputation as a trendy social and retail destination for young and fashion-conscious shoppers, and is popular among tourists.

The Mall enjoyed very high levels of foot traffic and has remained virtually fully let. Driven by a constantly improving mix of quality retailers and the robust retail market, average sales per sq. ft. for tenants at the Mall improved by 24% compared to the first half of 2010. The surge in spending by Mainland tourists, many of whom now consider Langham Place one of their favourite destinations, on cosmetics and fashion has also been a major factor behind the growth.

Average Monthly Retail Passing Rents at Langham Place (HK\$ per sq. ft. of lettable area, excluding turnover rent)

Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11
97.48	97.65	97.65	98.00	98.09	98.56	98.48

Demand for retail space from new tenants has been strong, giving the landlord considerable pricing power. However, growth in the passing rent slowed during the Period as only 6% of the floor area was subject to rollover. The average Passing Rent Rate increased from HK\$97.48 per sq. ft. at the end of 2010 to HK\$98.48 as of June 2011. A year ago in June 2010, the passing rent rate was HK\$89.13 per sq. ft.

Revenue increased by 10.3% from HK\$230 million to HK\$254 million and was driven in part by the follow-on effect of increases in rent rates during the second half of 2010. In spite of hefty increases in base rents for some tenants in late 2010, there has been little erosion in turnover rents, as the sales growth of major tenants continued to outpace the base rent increases. There has also been an increasing contribution from secondary income sources such as roadshow areas and advertising. Revenue growth would have been even stronger were it not for the expiry of a naming right agreement at the end of last year and the loss of associated income of about HK\$6 million. An increase in the property management and promotion charges introduced at the beginning of this year has helped to contain the growth in expenses relative to revenue gains. Expenses increased 2.2% to HK\$54 million and Net Property Income at the Mall increased by 12.7% to HK\$200 million.

OUTLOOK

A reluctance to commit to sizable amounts of expansion space has developed among the large financial institutions because of more stringent regulations, which has curtailed their ability to generate trading profits. The unfolding financial crisis in Europe and the renewed threat of economic slowdown in the United States are also adding to the uncertainties. Though the shortage of prime office space in Central will continue, more tenants are considering non-core locations because of the very high rents in Central. It would therefore take a longer time for the current level of vacancy at Citibank Plaza to be pared down. We will also have to adopt a more flexible pricing strategy to induce take up in view of the slower demand.

At Langham Place we expect continued high levels of occupancy for the Office Tower. There exists a gap between passing and market rents that can be closed over time. During the remainder of this year, a further 15% of the floor area will see higher rents from rollover, and this should translate into slightly higher income through rental reversion.

The Langham Place Mall should continue to benefit from a robust retail market in 2011. Local consumers have been increasing their consumption as wages are being lifted. The continued arrival of Mainland tourists and their spending will also benefit the Hong Kong retail market. We will continue to allocate resources to enhance the profile and reputation of the Mall in China so as to capture more Mainland tourist traffic. With its excellent location, its ever-improving tenant mix and successful marketing campaigns, Langham Place has remained a location of choice for popular cosmetics brands and mix-priced fashion and accessories retailers. For the remainder of 2011, a further 11% of the space in the mall will be due for rollover and we should be able to achieve higher rents therefrom.

In May 2011, the HK\$763 million in outstanding principal of our convertible bond issued in 2006 was fully repaid through internal resources while a bank loan of HK\$7,000 million was refinanced for a term of three years. The new interest rate is floating at 0.93% p.a. above the HK Interbank Offered Rate. At current market rates, the floating interest rate will be substantially lower as compared to the previous fixed interest rate of 2.82% p.a. With the reduced borrowing and the lower floating interest rate on the new HK\$7,000 million bank loan, we should see some saving in the REIT's interest expense in the second half of the year.

The present problems in the world financial markets could create uncertainties in the Hong Kong office and retail markets. However, based on the present occupancy at our properties, we expect the property income of the REIT to remain relatively stable in the second half of the year.

By Order of the Board

Eagle Asset Management (CP) Limited

(as manager of Champion Real Estate Investment Trust)

Lo Ka Shui

Chairman

Hong Kong, 11 August 2011

VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Knight Frank Petty Limited on 26 July 2011, the valuation of the properties of Champion REIT broken down by usage as of 30 June 2011 is as follows:

	Citibank Plaza	Langham Place	Sub-total
Jun 2011 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	35,339	6,385	41,724
Retail	370	10,556	10,926
Car Park	267	205	472
Miscellaneous	299	101	400
Total	36,275	17,247	53,522

Champion REIT's property portfolio is now valued at HK\$53.5 billion, an increase of HK\$3.3 billion from the December 2010 valuation of HK\$50.2 billion. Specifically, the appraised value of Citibank Plaza increased by 7.5% while that of Langham Place increased by 4.7%. Capitalization rates used in valuing the properties were unchanged at 4.0% for Citibank Plaza, 4.2% for the Langham Place Office Tower and 4.1% for Langham Place Mall and the increase in property value stems principally from an improvement in rental rates assumptions.

FINANCIAL REVIEW

DISTRIBUTIONS

Distribution Amount

The Distribution Amount of Champion REIT for the Period was HK\$517,955,000, calculated as 90% of Champion REIT's total available distributable income of HK\$568,784,000 plus an additional amount of HK\$6,050,000 at the discretion of REIT Manager.

For the same period last year, the Distribution Amount of Champion REIT was HK\$530,362,000, calculated as 90% of Champion REIT's total distributable income of HK\$573,803,000 plus an additional amount of HK\$13,939,000 at the discretion of REIT Manager.

Distribution per Unit

The distribution per unit for the Period was HK\$0.1048. This represents an annualized distribution yield of 4.8% based on the closing price of HK\$4.37 as at 30 June 2011. Such distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2011 and the record date. Further announcement will be made to inform unitholders of the final interim distribution per unit for the Period.

Closure of Register of Unitholders

The Register of Unitholders will be closed from Thursday, 8 September 2011 to Wednesday, 14 September 2011 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The 2011 Interim Distribution will be payable on 3 October 2011 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2011 Interim Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 7 September 2011.

DEBT PROFILE

During the Period, a total principal amount of HK\$2 million of the HK\$765 million convertible bonds issued in year 2006 was converted at the conversion price of HK\$4.26. The conversions were settled by cash of HK\$2.2 million by the Trust. On 23 May 2011, the Trust redeemed the then outstanding principal of HK\$763 million at 110.328% in an aggregate amount of HK\$841,803,000 through internal resources.

On 19 May 2011, the Trust, through its special purpose vehicle, entered into a new term loan agreement of HK\$7,000 million (the "2011 Term Loan") to fully refinance the outstanding principal of HK\$7,000 million under the term loan and revolving credit facility of HK\$7,200 million granted to the Trust on 24 May 2006. Interest rate swaps with a notional amount of HK\$7,000 million used for hedging purposes matured on 24 May 2011 and were not renewed. The 2011 Term Loan bears interest at a floating rate of HIBOR plus 0.93% per annum and will be due on 24 May 2014.

By the end of the Period, a conversion notice was received regarding a conversion of a principal amount of HK\$10,000 of the convertible bonds issued in 2008 at the conversion price of HK\$3.61. The conversion was settled by the issuance of 2,770 units of Champion REIT on 6 July 2011. Such new units will be entitled to the distribution for the Period.

As at 30 June 2011, total outstanding borrowings of the Trust amounted to HK\$14,114 million. The total borrowings comprised:

- 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
- HK\$7,000 million term loan which is repayable in full in May 2014

FINANCIAL REVIEW

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

30 June 2011		
Due in the ...	HK\$ million	% of total
first year	-	-
second year	7,114	50.4
third year	7,000	49.6
Total	14,114	100.0

The outstanding convertible bonds of HK\$4,660 million as at 30 June 2011 have a yield to maturity of 5.25%, coupon rate of 1% per annum, a redemption price of 123.94% and a latest adjusted conversion price of HK\$3.61.

As at 30 June 2011, all bank loans of the Trust, representing 67% of the Trust's total debt, were on floating-rate bases. The REIT Manager will monitor interest rate movements and may, depending on market conditions, consider putting in place interest rate swaps in respect of the loan facilities in place.

Total gross assets of the REIT were HK\$54,907 million as at 30 June 2011. Therefore, the gearing ratio, or total borrowings as a percentage of gross assets was 25.7%. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 33.2%.

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

As at 30 June 2011, net assets attributable to unitholders was HK\$36,677 million or HK\$7.42 per unit, a 69.8% premium to the closing unit price of HK\$4.37 as at 30 June 2011.

CASH POSITION

As at 30 June 2011, Champion REIT had total undrawn bank loan facilities of HK\$500 million and a cash balance of HK\$1,270 million. After the refinancing of the HK\$7,000 million term loan and the redemption of the HK\$763 million convertible bonds in May 2011, certain properties of Champion REIT with a fair value of HK\$5,772 million as at 30 June 2011 previously granted

as securities were released and discharged. This will facilitate additional financing if necessary. Taking into consideration the financial resources available to the REIT, Champion has sufficient liquid assets to satisfy its working capital and operating requirements.

PLEDGE ASSETS

As at 30 June 2011, certain properties of Champion REIT with a fair value of HK\$47,750 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 trustee to secure the obligations of the issuer of the convertible bonds or pledged to secure the banking facilities granted to the REIT.

COMMITMENTS

As at 30 June 2011, the Trust did not have any significant commitments.

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 months ended 30 June 2011 was equivalent to HK\$8,181,000. When compared to the stabilisation amount of each six-month period of HK\$30,992,000 under the rental stabilisation arrangement (the "Arrangement") pursuant to the Agreement, a shortfall of HK\$22,811,000 arose for the six-month period ended 30 June 2011.

As the remaining HK\$6,050,000 balance of the Maximum Rental Stabilisation Amount (as defined in the Agreement) is less than the shortfall, the entire remaining balance was paid out of the designated escrow account and received by the Trust on 30 June 2011. Under the terms and conditions of the Arrangement, the vendor shall have no further obligation to make further payments when all the funds in the designated escrow account have been exhausted. The Arrangement which was originally due to expire in early 2012 has come to an end accordingly.

CORPORATE GOVERNANCE

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.

AUTHORISATION STRUCTURE AND GOVERNANCE STRUCTURE

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the Securities and Futures Commission (“SFC”) under section 104 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (“SFO”) and regulated by the SFC pursuant to the provisions of the SFO 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 of the laws of Hong Kong) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, whereas the REIT Manager is responsible to manage Champion REIT in accordance with the Trust Deed (as defined below) 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, a Third Supplemental Deed dated 9 March 2009 and a Fourth Supplemental Deed dated 23 July 2010.

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.

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors.

The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 3 Independent Non-executive Directors).

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

CORPORATE GOVERNANCE

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 and responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee currently comprises 2 Independent Non-executive Directors (namely, Mr. Ip Yuk Keung, Albert and Mr. Shek Lai Him, Abraham) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Ip Yuk Keung, Albert is the Chairman of the Audit Committee.

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

The following are the changes in the directorate of the REIT Manager during the six months ended 30 June 2011 and up to the date of this interim report:

- (a) On 3 May 2011, Mr. Ip Yuk Keung, Albert was appointed as an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager;
- (b) On 14 June 2011, Mr. David Gordon Eldon retired as an Independent Non-executive Director and the Chairman of the Audit Committee of the REIT Manager; and
- (c) On 11 August 2011, Mr. Ip Yuk Keung, Albert was elected as the Chairman of the Audit Committee of the REIT Manager.

COMPLIANCE

During the six months ended 30 June 2011, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

The REIT Manager has adopted the Code Governing Dealings in Securities by the Management Persons ("Securities Dealings Code") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Management Persons include directors, executive officers and the company secretary of the REIT Manager.

The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standard set out in the Securities Dealings Code during the six months ended 30 June 2011.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2011 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONNECTED PARTY TRANSACTIONS

CONNECTED PARTY TRANSACTION REPORT

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

CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP 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 for the six months ended 30 June 2011 (“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	Incomes 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	1,376,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	5,054,000 ³
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	1,641,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	3,300,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁶ and car parking fee	1,867,000
China Mobile Hong Kong Company Limited	Associate of a Director ⁷	Licence fee ⁸	112,000
Total			13,547,000

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 Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	699,000 ⁹
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income ⁴	271,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁵	1,476,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁶	217,000
Total			2,826,000

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period
			HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	52,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	798,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	618,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Reimbursement of estate management expense	30,524,000 ¹⁰
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	4,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Marketing expense	18,000
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	Subsidiary of Great Eagle	Marketing expense	15,000
Total			32,029,000

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 A security deposit by way of a bank guarantee of approximately HK\$3,121,000 provided by Langham Hotels International Limited was held by the Trust as at the Period end date.
- 3 Out of this HK\$5,054,000, an amount of approximately HK\$2,407,000 was rental income derived from Pre-Existing Agreements with Langham Hotels International Limited as more particularly described in the section headed "PRE-EXISTING AGREEMENTS" below.
- 4 A security deposit by way of a bank guarantee of approximately HK\$1,154,000 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 A security deposit by way of a bank guarantee of approximately HK\$2,585,000 provided by Strong Dynamic Limited was held by the Trust as at the Period end date.
- 6 Security deposits in an aggregate amount of approximately HK\$915,000 provided by The Great Eagle Properties Management Company, Limited were held by the Trust as at the Period end date.
- 7 China Mobile Hong Kong 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 Hong Kong Company Limited.
- 8 A security deposit of approximately HK\$37,000 provided by China Mobile Hong Kong Company Limited was held by the Trust as at the Period end date.
- 9 Out of this HK\$699,000, an amount of approximately HK\$349,000 was building management fee derived from a Pre-Existing Agreement with Langham Hotels International Limited as more particularly described in the section headed "PRE-EXISTING AGREEMENTS" below.
- 10 Out of this HK\$30,524,000, approximately HK\$29,723,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$801,000 represented the amount of reimbursement of estate management expenses paid under the CAF Management Agreement (in relation to the common areas/facilities of Langham Place). Both Langham Place Mall Estate Management Agreement and CAF Management Agreement are Pre-Existing Agreements with The Great Eagle Properties Management Company, Limited. Pursuant to the Langham Place Mall Estate Management Agreement, the Mall Estate Manager was entitled to retain at all times an amount equal to one-sixth of the annual expenditure under the approved budget for the year 31 December 2011; so as to enable the Mall Estate Manager to make payment of estate management expenses.

PRE-EXISTING AGREEMENTS

Following the acquisition of the retail, carpark and certain office portions of Langham Place, 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 among the connected party transactions with the Great Eagle Connected Persons Group and/or the SFK Connected Persons as disclosed above and they are dealt with as if they were connected party transactions which are subject to annual limits of the waiver from strict compliance with the requirements under Chapter 8 of the REIT Code:-

Pre-Existing Agreements subject to Waiver

Name/Description of Agreement	Name of Party	Relationship with Champion REIT	Nature of Transaction	Incomes/Expenses for the Period
				HK\$
Tenancy Agreement	Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction and building management fee income	2,756,000
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	29,723,000
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	801,000

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

Name/Description of Agreement	Name of 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	454,000
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
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services	34,845,000
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	43,743,000

Notes:

- 1 The management fee deposit and sinking fund of approximately HK\$716,000 were 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 The management fee deposit and sinking fund of approximately HK\$12,759,000 were 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 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, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee approximately HK\$91,786,000 being the 12% of the net property income of the Champion REIT for such services rendered during the Period are to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

The REIT Manager has notified to the Trustee in writing and elected to receive 60% of Manager's Fee in the form of Units and the balance of 40% will be received in cash for the Financial Year 2011. For the six-month financial period ended 30 June 2011, the REIT Manager's fee in the amount of approximately HK\$55,072,000 shall be paid in the form of Units and the balance of HK\$36,714,000 shall be paid in form of cash.

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	Incomes/Expense for the Period
			HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	577,000
HSBC Group	Trustee Connected Persons	Bank charge	38,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest/expense	37,869,000

Connected Party Transactions – Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Period
			HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	22,088,000
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	160,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	25,000
Total			24,287,000

Notes:

- 1 Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited. It acts as the facility agent for (i) the term loan of HK\$7,000 million which was outstanding as at 30 June 2011; and (ii) the term loan and revolving credit facilities of HK\$2,954 million (of which HK\$2,454 million term loan was outstanding as at 30 June 2011). 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\$9,072,000 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\$4,584,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

During the Period, an amount of approximately HK\$120,000 was paid to Knight Frank Petty Limited, for the valuation fees, in their capacity as the principal valuer of Champion REIT.

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

DISCLOSURE OF INTERESTS

HOLDINGS OF CONNECTED PERSONS

As at 30 June 2011, so far as the REIT Manager is aware, the following persons, being connected persons (as defined under the REIT Code) of Champion REIT, held Units and/or underlying Units of Champion REIT:-

Name	Number of Units Held	Number of Underlying Units Held	Percentage of Issued Units ⁷
Top Domain International Limited	1,420,416,628 ¹	-	28.74
Keen Flow Investments Limited	913,580,933 ¹	-	18.48
Bright Form Investments Limited	-	648,199,445 ^{1,6}	13.11
Eagle Asset Management (CP) Limited	197,943,541 ^{1,2}	-	4.00
Fine Noble Limited	14,578,503 ¹	-	0.29
Great Eagle Nichemusik Limited	1,129,743 ¹	-	0.02
Lee Ching Ming, Adrian	73,250 ³	-	0.001
Fortune Mega Investments Limited	163,936,151 ⁴	-	3.31
HSBC Group	1,204,219 ⁵	-	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.

Save for (i) the number of Units held by Eagle Asset Management (CP) Limited increased by 11,634,743 Units and (ii) the number of underlying Units held by Bright Form Investments Limited increased by 14,053,104 underlying Units (due to the adjustment of conversion price of the convertible bonds due 2013 from HK\$3.69 to HK\$3.61) as compared with their respective positions as at 31 December 2010, the unitholdings of these companies remained unchanged as compared with their respective positions as at 31 December 2010.

HSBC International Trustee Limited ("HITL") as the trustee of a discretionary trust held 33.06% interest in Great Eagle as at 30 June 2011. 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 are among the beneficiaries of the discretionary trust. In addition, Dr. Lo Ka Shui in his own capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 17.23% voting rights in the capital of Great Eagle as at 30 June 2011.

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.

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 2010.

5 The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries, unless otherwise expressly stated herein, excludes, the Trustee and its proprietary subsidiaries ("HSBC Group") who are connected persons by virtue of being holding company, controlling entities, subsidiaries or associated companies (as defined under the REIT Code) of the Trustee of Champion REIT according to the information available to the REIT Manager.

HSBC Group was deemed to be interested in these Units of which 1,156,641 Units were held by its holding company, controlling entities, subsidiaries and associated companies (as defined in the REIT Code) of the Trustee and 47,578 Units were held by its directors, senior executives, officers and their associates (as defined in the REIT Code). The number of Units held by the HSBC Group increase by 34,641 Units as compared with the position as at 31 December 2010.

6 The 648,199,445 Units held by Bright Form Investments Limited ("Bright Form") 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 at the conversion of HK\$3.61.

7 This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,942,219,499 as at 30 June 2011 and rounded down to 2 decimal places.

8 According to the disclosure made by Mr. Cheng Wai Chee, Christopher, he ceased to have interest in 89,230,569 Units held by certain controlled corporations (including Wing Tai Corporation Limited) on 12 April 2011.

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 2011 to 30 June 2011.

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

As at 30 June 2011, 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 Stock Exchange pursuant to the provisions of Part XV of the SFO:

(a) Units and Underlying Units

Name	Number of Units Held ³	Number of Underlying Units Held ³	Total	Percentage of Issued Units ⁴
Directors and Chief Executive of the REIT Manager				
Lo Ka Shui	2,547,649,348 ¹	648,199,445 ¹	3,195,848,793 ¹	64.66
Cheng Wai Chee, Christopher	5,669,891 ²	-	5,669,891 ²	0.11
Lee Ching Ming, Adrian	73,250	-	73,250	0.001
REIT Manager				
Eagle Asset Management (CP) Limited	197,943,541 ¹	-	197,943,541 ¹	4.00
Substantial Unitholders				
Great Eagle Holdings Limited	2,547,649,348 ¹	648,199,445 ¹	3,195,848,793 ¹	64.66
HSBC International Trustee Limited	2,550,245,023 ¹	648,199,445 ¹	3,198,444,468 ¹	64.72
Top Domain International Limited	1,420,416,628	-	1,420,416,628	28.74
Keen Flow Investments Limited	913,580,933	-	913,580,933	18.48
Bright Form Investments Limited	-	648,199,445	648,199,445	13.11

(b) Debentures⁵

Name	Nominal Value of Debentures
Director of the REIT Manager	
Lo Ka Shui	HK\$2,340,000,000 ⁶

DISCLOSURE OF INTERESTS

Notes:

1 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. Great Eagle was deemed to be interested in a total of 3,195,848,793 Units held by its controlled corporations comprising:

- (a) 1,420,416,628 Units held by Top Domain International Limited directly;
- (b) 913,580,933 Units held by Keen Flow Investments Limited directly;
- (c) 648,199,445 Units being underlying Units of the convertible bonds due 2013 held by Bright Form Investments Limited at the conversion price of HK\$3.61;
- (d) 197,943,541 Units held by Eagle Asset Management (CP) Limited directly;
- (e) 14,578,503 Units held by Fine Noble Limited directly; and
- (f) 1,129,743 Units held by Great Eagle Nichemusic Limited directly.

Among the 2,550,245,023 Units held by HSBC International Trustee Limited ("HITL"), 2,547,649,348 Units were the same parcel of Units held by Great Eagle. The 648,199,445 underlying Units held by HITL were also the same parcel of underlying Units held by Great Eagle (item 1(c) above) in relation to the convertible bonds due 2013 calculated at the conversion price of HK\$3.61.

HITL was deemed to be interested in these Units in its capacity as a trustee of a discretionary trust which held 33.06% 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 are among the beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his own capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 17.23% voting rights in the capital of Great Eagle.

2 According to the confirmation and disclosure made by Mr. Cheng Wai Chee, Christopher, he became interested in these Units on 23 May 2011. These Units were held by a trust of which Mr. Cheng Wai Chee, Christopher is a beneficiary.

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

4 This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,942,219,499 as at 30 June 2011 and rounded down to 2 decimal places.

5 The debentures means the aggregate principal amount of HK\$4,680,000,000 of convertible bonds due 2013 ("2008 Convertible Bonds") issued by Fair Vantage Limited (a wholly owned and controlled entity of Champion REIT) in 2008.

6 These interests in 2008 Convertible Bonds convertible into 648,199,445 Units at the conversion price of HK\$3.61 were beneficially held by Great Eagle as mentioned in note 1(c) above.

Save as disclosed above, as at 30 June 2011, so far as is known to the Directors and Chief Executive of the REIT Manager:

- (i) no person (other than a Director) was interested (or deemed to be interested) in Units, or holds any short position in Units which were required to be disclosed to the REIT Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO; and
- (ii) none of the Directors or Chief Executive 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 corporations (within the meaning of Part XV of the SFO) which were required to be notified to the REIT Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the "Code Governing Dealings in Securities by the Management Persons" as adopted by the REIT Manager.

OTHER INFORMATION

NEW UNITS ISSUED

As at 30 June 2011, the total number of issued Units of Champion REIT was 4,942,219,499. As compared with the position of 31 December 2010, a total of 11,634,743 new Units were issued during the period. On 8 March 2011, 11,634,743 new Units were issued to the REIT Manager at the price of HK\$4.62 per Unit (being the Market Price ascribed in the trust deed constituting Champion REIT) as payment in full of the manager's fee in respect of Citibank Plaza of approximately HK\$53,753,000 payable by Champion REIT for the six months ended 31 December 2010.

Subsequent to the Period end, 2,770 new Units were issued on 6 July 2011 at the conversion price of HK\$3.61 per Unit pursuant to the conversion of the 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008. As at the date of this report, the total number of issued units of Champion REIT was 4,942,222,269.

REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any real estate sales and purchases transactions during the Period.

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, the Property Manager, and the DMC/Estate Managers etc. The following table summarizes the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 30 June 2011:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	-	-	13
Leasing	4	11	-
Marketing and promotion	-	9	-
Property management	55	139	-
Contractors/technical staff	127	287	-
Total	186	446	13

PURCHASE, SALE OR REDEMPTION OF CHAMPION REIT'S UNITS

A general mandate for repurchase of Units in the open market was given by Unitholders at the annual general meeting held on 27 April 2011. During the six months ended 30 June 2011, neither the Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

On 23 May 2011, Treasure Source Limited, the issuer of the 2% Guaranteed Convertible Bonds due 2011 in the aggregate principal amount of HK\$765,000,000 (the

"Bonds"), pursuant to the terms and conditions of the Bonds, fully redeemed the Bonds with an outstanding principal amount of HK\$763,000,000 at 110.328% in an aggregate redemption amount of approximately HK\$841,803,000 on its maturity. The redeemed outstanding Bonds were cancelled.

PUBLIC FLOAT

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



FINANCIALS

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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 24 to 52 which comprises the condensed consolidated statement of financial position of Champion Real Estate Investment Trust (“Champion REIT”) and its controlled entities as of 30 June 2011 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)
Rental income	4	860,434	872,824
Building management fee income		81,940	79,510
Rental related income		8,060	6,564
Total revenue		950,434	958,898
Property operating expenses	5	(185,552)	(178,756)
Net property income		764,882	780,142
Interest income		4,084	1,431
Manager's fee	6	(91,786)	(93,617)
Trust and other expenses		(8,288)	(7,014)
Increase in fair value of investment properties	13	3,299,400	947,450
Change in fair value of derivative components of convertible bonds	20	336,169	(195,503)
Change in fair value of rental stabilisation arrangement	14	17	233
Gain on settlement of convertible bonds		219	-
Finance costs	7	(347,763)	(374,352)
Profit before tax and distribution to unitholders	8	3,956,934	1,058,770
Income taxes	9	(79,759)	(75,774)
Profit for the period, before distribution to unitholders		3,877,175	982,996
Distribution to unitholders		(517,955)	(530,362)
Profit for the period, after distribution to unitholders		3,359,220	452,634
Basic earnings per unit	12	HK\$0.79	HK\$0.20
Diluted earnings per unit	12	HK\$0.58	HK\$0.20

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited) (restated)
Profit for the period, after distribution to unitholders	3,359,220	452,634
Cash flow hedges:		
Changes during the period	59,353	35,430
Reclassified to profit or loss	63,019	85,629
	122,372	121,059
Total comprehensive income for the period	3,481,592	573,693

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
		(unaudited)	(audited) (restated)
Non-current assets			
Investment properties	13	53,522,000	50,222,600
Rental stabilisation arrangement	14	-	6,033
Total non-current assets		53,522,000	50,228,633
Current assets			
Loan receivables	15	-	54,566
Trade and other receivables	16	113,177	107,709
Tax recoverable		1,319	6,561
Bank balances and cash	17	1,270,368	2,038,090
Total current assets		1,384,864	2,206,926
Total assets		54,906,864	52,435,559
Current liabilities			
Trade and other payables	18	1,138,479	1,153,065
Deposits received		399,216	368,347
Tax liabilities		35,291	11,654
Distribution payable		517,955	536,508
Secured term loans	19	-	6,997,329
Convertible bonds	20	-	900,765
Derivative financial instruments	21	-	59,353
Total current liabilities		2,090,941	10,027,021
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loans	19	9,397,106	2,446,147
Convertible bonds	20	6,468,422	6,597,729
Deferred tax liabilities	22	273,143	222,755
Total non-current liabilities, excluding net assets attributable to unitholders		16,138,671	9,266,631
Total liabilities, excluding net assets attributable to unitholders		18,229,612	19,293,652
Net assets attributable to unitholders		36,677,252	33,141,907
Number of units in issue ('000)	23	4,942,219	4,930,585
Net asset value per unit	24	HK\$7.42	HK\$6.72

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2011

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited) (restated)	(unaudited)
Net assets attributable to unitholders at 1 January 2011, as previously reported	21,033,383	(122,372)	5,757,943	4,708,329	31,377,283
Prior year adjustments in respect of changes in accounting policy	-	-	-	1,764,624	1,764,624
Net assets attributable to unitholders at 1 January 2011, as restated	21,033,383	(122,372)	5,757,943	6,472,953	33,141,907
Profit for the period, before distribution to unitholders	-	-	-	3,877,175	3,877,175
Distribution	-	-	-	(517,955)	(517,955)
Cash flow hedges	-	122,372	-	-	122,372
Total comprehensive income for the period	-	122,372	-	3,359,220	3,481,592
Issue of units (note 23)	53,753	-	-	-	53,753
Net assets attributable to unitholders as at 30 June 2011	21,087,136	-	5,757,943	9,832,173	36,677,252

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited) (restated)	(unaudited)
Net assets attributable to unitholders at 1 January 2010, as previously reported	20,651,833	(385,736)	5,757,943	1,335,262	27,359,302
Prior year adjustments in respect of changes in accounting policy	-	-	-	895,235	895,235
Net assets attributable to unitholders at 1 January 2010, as restated	20,651,833	(385,736)	5,757,943	2,230,497	28,254,537
Profit for the period, before distribution to unitholders	-	-	-	982,996	982,996
Distribution	-	-	-	(530,362)	(530,362)
Cash flow hedges	-	121,059	-	-	121,059
Total comprehensive income for the period	-	121,059	-	452,634	573,693
Issue of units	322,240	-	-	-	322,240
Net assets attributable to unitholders as at 30 June 2010	20,974,073	(264,677)	5,757,943	2,683,131	29,150,470

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before tax and distribution to unitholders	3,956,934	1,058,770
Adjustments for:		
Increase in fair value of investment properties	(3,299,400)	(947,450)
Change in fair value of derivative components of convertible bonds	(336,169)	195,503
Change in fair value of rental stabilisation arrangement	(17)	(233)
Gain on settlement of convertible bonds	(219)	-
Manager's fee payable in units	55,072	59,311
Interest income	(4,084)	(1,431)
Finance costs	347,763	374,352
Operating cash flow before movements in working capital	719,880	738,822
(Increase) decrease in trade and other receivables	(5,721)	8,100
(Decrease) increase in trade and other payables	(14,276)	29,012
Increase in deposits received	30,869	1,027
Cash generated from operations	730,752	776,961
Interest paid	(129,754)	(138,611)
Hong Kong Profits Tax paid	(492)	(17,085)
NET CASH FROM OPERATING ACTIVITIES	600,506	621,265
INVESTING ACTIVITIES		
Interest received	3,596	334
Cash received from rental stabilisation arrangement	6,050	13,941
Settlement of loan receivable	55,307	-
NET CASH FROM INVESTING ACTIVITIES	64,953	14,275
FINANCING ACTIVITIES		
New bank loan raised	7,000,000	-
Loan origination fees	(52,500)	-
Repayment of a bank loan	(7,000,000)	-
Settlement upon conversion of convertible bonds	(2,153)	-
Redemption of convertible bonds	(841,803)	-
Distribution paid	(536,725)	(410,775)
NET CASH USED IN FINANCING ACTIVITIES	(1,433,181)	(410,775)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(767,722)	224,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,038,090	1,832,105
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	1,270,368	2,056,870

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL

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

The principal activity of Champion REIT and its controlled entities (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 (the “Listing Rules”), Hong Kong Accounting Standard 34 “Interim Financial Reporting” and the Code.

Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 12 “Income Taxes” (applied in advance of their effective date)

In addition, the Group has applied amendments to HKAS 12 titled “Deferred Tax: Recovery of Underlying Assets” in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

As a result, the Group’s investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. The application of the amendments has resulted in deferred tax liabilities being decreased by HK\$895,235,000 and HK\$1,764,624,000 as at 1 January 2010 and 31 December 2010, respectively, with the corresponding adjustment being recognised in profits less distribution under condensed consolidated statement of changes in net assets attributable to unitholders. In addition, the application has resulted in the Group’s income taxes for the six months ended 30 June 2010 being reduced by HK\$124,602,000 and profit before distribution to unitholders for the six months ended 30 June 2010 being increased by the same amount.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 12 “Income Taxes” (applied in advance of their effective date) (Continued)

In the current period, no deferred tax has been provided for in respect of changes in fair value of such investment properties, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in the Group’s income taxes for the six months ended 30 June 2011 being reduced by HK\$544,401,000 and profit before distribution to unitholders for the six months ended 30 June 2011 being increased by the same amount.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and prior periods by line items presented in the condensed consolidated income statement is as follows:

	1.1.2011 to 30.6.2011 HK\$’000	1.1.2010 to 30.6.2010 HK\$’000
	(unaudited)	(unaudited)
Decrease in income taxes and corresponding increase in profit for the period, before distribution to unitholders	544,401	124,602

	1.1.2011 to 30.6.2011 HK\$	1.1.2010 to 30.6.2010 HK\$
	(unaudited)	(unaudited)
Impact on basic earnings per unit		
Basic earnings per unit before adjustment	0.68	0.18
Adjustment in relation to application of amendments of HKAS 12	0.11	0.02
Reported basic earnings per unit	0.79	0.20
Impact on diluted earnings per unit		
Diluted earnings per unit before adjustment	0.49	0.18
Adjustment in relation to application of amendments of HKAS 12	0.09	0.02
Reported diluted earnings per unit	0.58	0.20

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 12 “Income Taxes” (applied in advance of their effective date) (Continued)

Summary of the effect of the above change in accounting policy (Continued)

The effect of the change in accounting policy described above on the financial positions of the Group as at 1 January 2010 and 31 December 2010 are as follows:

	As at 31.12.2010 (originally stated) HK\$'000	Adjustment HK\$'000	As at 31.12.2010 (restated) HK\$'000
Total effects on net assets attributable to unitholders			
Deferred tax liabilities	1,987,379	(1,764,624)	222,755

	As at 1.1.2010 (originally stated) HK\$'000	Adjustment HK\$'000	As at 1.1.2010 (restated) HK\$'000
Total effects on net assets attributable to unitholders			
Deferred tax liabilities	1,006,379	(895,235)	111,144

The Group has not early applied new or revised standards that have been issued but not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

The Manager anticipates that the application of these new and revised standards will have no material impact on the results and the financial position of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Manager, for the purpose of resource allocation and performance assessment is more specifically focused on the operating results of the two investment properties, namely Citibank Plaza and Langham Place.

Segment revenue and results

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

For the six months ended 30 June 2011

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Segment revenue	569,873	380,561	950,434
Segment results - Net property income	463,581	301,301	764,882
Interest income			4,084
Manager's fee			(91,786)
Trust and other expenses			(8,288)
Increase in fair value of investment properties			3,299,400
Change in fair value of derivative components of convertible bonds			336,169
Change in fair value of rental stabilisation arrangement			17
Gain on settlement of convertible bonds			219
Finance costs			(347,763)
Profit before tax and distribution to unitholders			3,956,934
Income taxes			(79,759)
Profit for the period, before distribution to unitholders			3,877,175
Distribution to unitholders			(517,955)
Profit for the period, after distribution to unitholders			3,359,220

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:

Manager's fee	(55,630)	(36,156)	(91,786)
Increase in fair value of investment properties	2,527,900	771,500	3,299,400

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2010

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
	(unaudited)	(unaudited)	(unaudited) (restated)
Segment revenue	593,985	364,913	958,898
Segment results - Net property income	494,256	285,886	780,142
Interest income			1,431
Manager's fee			(93,617)
Trust and other expenses			(7,014)
Increase in fair value of investment properties			947,450
Change in fair value of derivative components of convertible bonds			(195,503)
Change in fair value of rental stabilisation arrangement			233
Finance costs			(374,352)
Profit before tax and distribution to unitholders			1,058,770
Income taxes			(75,774)
Profit for the period, before distribution to unitholders			982,996
Distribution to unitholders			(530,362)
Profit for the period, after distribution to unitholders			452,634

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:

Manager's fee	(59,311)	(34,306)	(93,617)
Increase in fair value of investment properties	551,850	395,600	947,450

Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2011, the fair value of Citibank Plaza and Langham Place was HK\$36,275,000,000 (31.12.2010: HK\$33,747,100,000) and HK\$17,247,000,000 (31.12.2010: HK\$16,475,500,000), respectively.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

4. RENTAL INCOME

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited)
Rental income	846,280	859,855
Car park income	14,154	12,969
	860,434	872,824

5. PROPERTY OPERATING EXPENSES

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited)
Building management expenses	89,332	88,243
Car park operating expenses	4,159	3,392
Government rent and rates	30,139	29,492
Legal cost and stamp duty	3,115	2,521
Promotion expenses	4,848	7,734
Property and lease management service fee	25,683	26,193
Property miscellaneous expenses	1,056	1,623
Rental commission	26,393	18,889
Repairs and maintenance	827	669
	185,552	178,756

6. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2011, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2011 as remuneration.

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited)
Total Manager's fee:		
In the form of units	55,072	59,311
In the form of cash	36,714	34,306
	91,786	93,617

In accordance with the terms of the Trust Deed, manager's fee of HK\$55,072,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$59,311,000) is to be settled in units subsequent to the end of the reporting period.

7. FINANCE COSTS

	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	101,087	111,482
Interest expense on convertible bonds wholly repayable within five years	179,586	175,300
Release of cumulative loss on hedging instrument	66,074	86,549
Other borrowing costs	1,016	1,021
	347,763	374,352

8. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging:		
Auditor's remuneration	1,329	1,350
Trustee's fee	4,584	3,985
Principal valuer's fee	120	100
Other professional fee and charges	2,189	1,492
Roadshow and public relations expenses	8	227
Bank charges	55	38

9. INCOME TAXES

	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Hong Kong Profits Tax:		
Current tax		
- Current year	29,371	27,188
Deferred tax (note 22)		
- Current year	50,388	48,586
	79,759	75,774

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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) 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:

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited) (restated)
Profit for the period, before distribution to unitholders	3,877,175	982,996
Adjustments:		
Manager's fees payable in units	55,072	59,311
Increase in fair value of investment properties	(3,299,400)	(947,450)
Change in fair value of derivative components of convertible bonds	(336,169)	195,503
Change in fair value of rental stabilisation arrangement	(17)	(233)
Non-cash gain	(741)	(907)
Non-cash finance costs	222,476	235,997
Deferred tax	50,388	48,586
Total distributable income	568,784	573,803

11. DISTRIBUTION STATEMENT

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited)
Total distributable income (note 10)	568,784	573,803
Percentage of distributable income for distribution (note (i))	90%	90%
Distributable income for Interim Distribution Period	511,905	516,423
Additional amount (note (i))	6,050	13,939
Total distributions to be paid	517,955	530,362
Distribution per unit to unitholders (note (ii))	HK\$0.1048	HK\$0.1076

Notes:

- (i) The Manager has stated that it will distribute 90% (1.1.2010 to 30.6.2010: 90%) of available distributable income as the distributions for the six months ended 30 June 2011 (the "Interim Distribution Period"). For the Interim Distribution Period, an additional amount of HK\$6,050,000 (1.1.2010 to 30.6.2010: HK\$13,939,000) were distributed at the discretion of the Manager for the amount received according to the rental stabilisation arrangement (see note 14).
- (ii) The interim distribution per unit of HK\$0.1048 for the six months ended 30 June 2011 is calculated based on the interim distribution to be paid of HK\$517,955,000 for the period and 4,942,219,499 units in issue as at 30 June 2011. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 14 September 2011, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 3 October 2011.

The interim distribution per unit of HK\$0.1076 for the six months ended 30 June 2010 was calculated based on the interim distribution paid of HK\$530,362,000 for the period and 4,930,584,756 units as of 9 September 2010, which was the record date for the period. The interim distribution was paid to unitholders on 4 October 2010.

12. BASIC AND DILUTED EARNINGS PER UNIT

The calculation of basic and diluted earnings per unit before distribution to unitholders is based on the following data:

	2011 HK\$'000	2010 HK\$'000
	(unaudited)	(unaudited) (restated)
Earnings		
Profit for the period, before distribution to unitholders for the purpose of basic earnings per unit	3,877,175	982,996
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	173,930	-
Change in fair value of derivative components of convertible bonds	(336,169)	-
Gain on settlement of convertible bonds	(219)	-
Profit for the period, before distribution to unitholders for the purpose of diluted earnings per unit	3,714,717	982,996

	2011	2010
	(unaudited)	(unaudited)
Number of units		
Weighted average number of units for the purpose of basic earnings per unit	4,937,976,996	4,854,091,893
Effect of dilutive potential units:		
Units to be issued in respect of Manager's fee	3,124,650	4,051,186
Convertible bonds	1,432,558,288	-
Weighted average number of units for the purpose of diluted earnings per unit	6,373,659,934	4,858,143,079

For the six months ended 30 June 2010, the computation of diluted earnings per unit did not assume the units to be issued in respect of the conversion of outstanding convertible bonds since such conversion would result in an increase in earnings per unit.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

13. INVESTMENT PROPERTIES

	At 30 June 2011 HK\$'000 (unaudited)	At 31 December 2010 HK\$'000 (audited)
Fair value		
At the beginning of the period/year	50,222,600	44,240,800
Additions during the period/year	-	114,415
Increase in fair value during the period/year	3,299,400	5,867,385
At the end of the period/year	53,522,000	50,222,600

The fair value of the Group's investment properties at 30 June 2011 and 31 December 2010 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. The capitalisation rates for the retail and office accommodation range from 4.1% to 4.5% (31.12.2010: 4.1% to 4.5%) and 4.0% to 4.2% (31.12.2010: 4.0% to 4.2%), respectively.

The Group's property interests held under finance 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.

As at 30 June 2011, certain investment properties with total fair value of HK\$47,750,000,000 (31.12.2010: all investment properties with total fair value of HK\$50,222,600,000) have been mortgaged as security for credit facilities and convertible bonds as detailed in notes 19 and 20, respectively.

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”), being the Guarantor, 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\$95,223,000 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.

For the six-month period ended 30 June 2011, the shortfall of New Property Income was HK\$22,811,000. As the remaining balance of the Maximum Rental Stabilisation Amount is less than the shortfall, the entire remaining balance of HK\$6,050,000 was paid out of the designated escrow account and received by the Group on 30 June 2011. Under the terms and conditions of the Arrangement, Kerry shall have no further obligation to make further payments when all the funds in the designated escrow account have been exhausted. The Full Rental Stabilisation Period, which was originally due to expire in early 2012 has come to an end accordingly. For the six-month period ended 30 June 2010, the Group received an aggregate amount of HK\$13,941,000, which represented the shortfall of New Property Income of HK\$13,939,000 and interest on the designated escrow account of HK\$2,000.

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\$17,000 (1.1.2010 to 30.6.2010: HK\$233,000) was credited to condensed consolidated income statement. At 31 December 2010, the fair value was determined based on the Black-Scholes model using the assumptions of current market rents at the end of the reporting period, expected volatility of grade A central office based on past years historical rent index and the duration of the Arrangement.

15. LOAN RECEIVABLES

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Loan receivables	-	54,566

The amount represented the receivable due from the interest rate swap counterparty. The amount was unsecured and carried at amortised cost using the effective interest rate of 3.42%. On 24 May 2011, an amount of HK\$55,307,000 was received from the interest rate swap counterparty.

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16. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Trade receivables	4,191	10,096
Deferred rent receivables	58,703	50,131
Deposits, prepayments and other receivables	50,283	47,482
	113,177	107,709

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

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

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
0 - 3 months	4,191	10,096

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$4,191,000 (31.12.2010: HK\$10,096,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

17. BANK BALANCES AND CASH

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Cash on hand	6	6
Cash at bank	787,774	264,990
Time deposits	482,588	1,773,094
	1,270,368	2,038,090

Bank balances carry interest at market rate of 0.001% to 0.3% per annum (31.12.2010: 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 1.1% to 1.2% per annum (31.12.2010: 0.1% to 0.6% per annum).

18. TRADE AND OTHER PAYABLES

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Trade payables	42,242	52,602
Rental received in advance	11,222	17,069
Other payables	121,540	119,919
Accrued stamp duty	963,475	963,475
	1,138,479	1,153,065

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31.12.2010: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing.

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

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
0 - 3 months	42,242	52,602

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19. SECURED TERM LOANS

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Secured term loans	9,454,000	9,454,000
Loan front-end fees	(56,894)	(10,524)
	9,397,106	9,443,476
The maturity of the secured term loans is as follows:		
Within one year	-	6,997,329
More than one year but not exceeding two years	2,447,772	-
More than two years but not exceeding five years	6,949,334	2,446,147
	9,397,106	9,443,476
Less: amount due within one year shown under current liabilities	-	(6,997,329)
Amount due after one year	9,397,106	2,446,147

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 31 December 2010 were HK\$7,000,000,000. The facilities bore interest at floating interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.53% per annum and were repayable on 24 May 2011. As security for the facilities granted to the Group, certain investment properties with fair value of HK\$32,232,250,000 as at 31 December 2010 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. The interest rate was fixed at the rate of 2.8225% per annum by the use of interest rate swaps as set out in note 21.
- (ii) On 24 May 2011, the Group refinanced the drawn down amount of HK\$7,000,000,000 set out in note (i) above by a new term loan facility of HK\$7,000,000,000. The new facility bears interest at a floating interest rate of HIBOR plus 0.93% per annum and is repayable on 24 May 2014. As security for the facility granted to the Group, certain investment properties with fair value of HK\$30,503,000,000 as at 30 June 2011 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.
- (iii) 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 2011 were HK\$2,454,000,000 (31.12.2010: HK\$2,454,000,000). The facilities bear interest at a floating interest rate of HIBOR plus 0.59% per annum and are repayable in full in June 2013.

As security for the facilities granted to the Group, certain investment properties with fair value of HK\$17,247,000,000 as at 30 June 2011 (31.12.2010: HK\$16,475,500,000) 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.

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\$1,514,850,000 as at 31 December 2010 together with the assignment of insurance proceeds 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) adjustment.

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.

During the six months period ended 30 June 2011, an aggregate principal amount of HK\$2,000,000 of the 2006 Bonds were converted. The 2006 Bond Issuer elected to pay the holders the full amount in cash of HK\$2,153,000 and resulted in a gain of HK\$219,000 recognised in the profit or loss. On the 2006 Bonds Maturity Date, the 2006 Bonds Issuer redeemed the then outstanding principal of HK\$763,000,000 at the redemption price of 110.328% by an aggregate amount of HK\$841,803,000. After the redemption, certain investment properties together with the assignment of insurance proceeds which have been granted and mortgaged in favour of the bond holders were released and discharged.

As at 31 December 2010, the carrying amount of the liability component and fair value of derivative component of the 2006 Bonds was HK\$900,765,000.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

20. CONVERTIBLE BONDS (CONTINUED)

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\$17,247,000,000 as at 30 June 2011 (31.12.2010: HK\$16,475,500,000) 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\$3.61 per unit which came into effect since 16 May 2011 as a result of Excess Distribution (as defined in terms and conditions of the 2008 Bonds) adjustment.

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.

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 six months period ended 30 June 2011, an aggregate principal amount of HK\$10,000 of the 2008 Bonds were converted. As at 30 June 2011, the principal amount of 2008 Bonds was HK\$4,659,990,000 (31.12.2010: HK\$4,660,000,000).

As at 30 June 2011, Great Eagle Holdings Limited (“Great Eagle”) (relationship with the Group is explained in note 29 (b)), through its directly wholly-owned subsidiary, Bright Form Investments Limited, held an aggregate principal amount of HK\$2,340,000,000 of the 2008 Bonds (31.12.2010: HK\$2,340,000,000).

20. CONVERTIBLE BONDS (CONTINUED)

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 2011, the fair values of the derivative components (including conversion options and early redemption options) are based on valuation provided to the Group by an independent valuer. The fair values are determined based on the Binomial model using the assumptions that are supported by observable market data as follows:

	At 30 June 2011	At 31 December 2010	
	2008 Bonds	2006 Bonds	2008 Bonds
Unit price	HK\$4.37	HK\$4.59	HK\$4.59
Risk-free rate of interest	0.28%	0.33%	0.83%
Dividend yield	5.56%	4.64%	4.64%
Historical volatility (with similar time to maturity)	42.0%	19.72%	41.05%

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

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Liability component		
At the beginning of the period/year	5,896,323	5,603,082
Interest charged	179,586	355,141
Interest paid	(29,314)	(61,900)
Conversion during the period/year	(2,192)	-
Redemption during the period/year	(841,803)	-
At the end of the period/year	5,202,600	5,896,323
Derivative components		
At the beginning of the period/year	1,602,171	658,748
Change in fair value	(336,169)	943,423
Conversion during the period/year	(180)	-
At the end of the period/year	1,265,822	1,602,171
Total convertible bonds	6,468,422	7,498,494

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20. CONVERTIBLE BONDS (CONTINUED)

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
The maturity of the above convertible bonds is as follows:		
Within one year	-	900,765
More than one year but not exceeding two years	6,468,422	-
More than two years but not exceeding five years	-	6,597,729
	6,468,422	7,498,494
Less: amount due within one year shown under current liabilities	-	(900,765)
Amount due after one year	6,468,422	6,597,729

21. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Cash flow hedge - interest rate swaps	-	59,353

The Group used interest rate swaps to minimise the exposure to movements in interest rates in relation to its floating rate term loan by swapping from floating rate to fixed rate. The interest rate swaps and the corresponding term loan had the same terms and the Manager considered that the interest rate swaps were highly effective hedging instruments. On 24 May 2011, the interest rate swaps expired upon the maturity of the corresponding term loan.

As a result of an amendment of the interest rate swaps in 2008, the cumulative losses on the interest rate swaps from inception of the hedge until the amendment of the terms of the interest rate swaps is released to condensed consolidated income statement over the periods during which the variability of interest payment in relation to the secured term loan affects the condensed consolidated income statement. During the period, release of such cumulative losses from the hedging reserve amounted to HK\$66,074,000 (1.1.2010 to 30.6.2010: HK\$86,549,000).

At 31 December 2010, major terms of the interest rate swaps were set out below:

Notional amount	Maturity	Swaps
HK\$7,000,000,000	24 May 2011	From 1-month HIBOR plus 0.53% to a fixed rate of 2.8225%

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

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	Tax losses HK\$'000	Total HK\$'000
At the beginning of the period (restated)	275,152	(52,397)	222,755
Charge to condensed consolidated income statement during the period	37,783	12,605	50,388
At the end of the period (unaudited)	312,935	(39,792)	273,143

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

As at 30 June 2011, the Group has unutilised tax losses of HK\$894,021,000 (31.12.2010: HK\$857,416,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$241,164,000 (31.12.2010: HK\$317,558,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$652,857,000 (31.12.2010: HK\$539,858,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

23. NUMBER OF UNITS IN ISSUE

	Number of units	HK\$'000 (unaudited)
At 1 January 2011	4,930,584,756	21,033,383
Units issued for settlement of Manager's fee	11,634,743	53,753
At 30 June 2011	4,942,219,499	21,087,136

On 8 March 2011, 11,634,743 units at HK\$4.62 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2010 to 31 December 2010.

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 2011 of HK\$36,677,252,000 (31.12.2010: HK\$33,141,907,000) by the number of units in issue of 4,942,219,499 (31.12.2010: 4,930,584,756 units) as at 30 June 2011.

25. NET CURRENT LIABILITIES

At 30 June 2011, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$706,077,000 (31.12.2010: HK\$7,820,095,000).

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26. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2011, the Group's total assets less current liabilities amounted to HK\$52,815,923,000 (31.12.2010: HK\$42,408,538,000).

27. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2011, 11,634,743 units (1.1.2010 to 30.6.2010: 27,830,682 units) were issued as payment for the Manager's fee from 1 July 2010 to 31 December 2010, amounting to HK\$53,753,000 (1.1.2010 to 30.6.2010: HK\$99,912,000).

During the six months ended 30 June 2010, 63,733,460 units were issued in lieu of payment for the final distributions of year 2009 amounting to HK\$222,328,000 pursuant to the distribution reinvestment scheme.

28. OPERATING LEASE COMMITMENTS

As at 30 June 2011, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
	(unaudited)	(audited)
Within one year	1,433,305	1,453,933
In the second to fifth year inclusive	2,677,881	2,672,402
Over five years	46,134	218,801
	4,157,320	4,345,136

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. Contingent rental income of HK\$23,083,000 (1.1.2010 to 30.6.2010: HK\$17,369,000) was received for the period.

Certain future minimum lease payments are calculated based on the estimated market rent to be received from the contracted tenants during specified time intervals of the contracted period as stipulated in the lease agreements.

29. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, in addition to those disclosed in note 20, the Group entered into the following transactions with connected and related parties:

	Notes	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Rental income			
China Mobile Hong Kong Company Limited	(a)	112	112
Langham Hotels International Limited	(b)	5,054	4,813
Langham Place Hotel (HK) Limited	(b)	1,641	1,938
Main St. Cafe Hong Kong Company Limited	(b)	-	702
Strong Dynamic Limited	(b)	3,300	3,300
The Great Eagle Properties Management Company, Limited	(b)	1,867	1,818
The Great Eagle Company, Limited	(b)	-	13,000
Toptech Co. Limited	(b)	-	1,502
Eagle Asset Management (CP) Limited	(b)	197	197
Eagle Property Management (CP) Limited	(b)	1,376	1,457
HSBC Group ¹	(c)	22,248	23,585
Interest income			
HSBC Group ¹	(c)	577	180
Building management fee income			
Strong Dynamic Limited	(b)	1,476	1,569
The Great Eagle Properties Management Company, Limited	(b)	217	217
Langham Hotels International Limited	(b)	699	699
Langham Place Hotel (HK) Limited	(b)	271	297
Toptech Co. Limited	(b)	-	251
Main St. Cafe Hong Kong Company Limited	(b)	-	82
Eagle Property Management (CP) Limited	(b)	163	163
HSBC Group ¹	(c)	2,039	2,036
Building management fee			
The Great Eagle Properties Management Company, Limited	(b)	74,721	73,572
Longworth Management Limited	(b)	15,311	15,311
Property and lease management service fee			
Eagle Property Management (CP) Limited	(b)	25,683	26,193
Rental commission			
Eagle Property Management (CP) Limited	(b)	9,162	16,375

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29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(b)	301	151
Toptech Co. Limited	(b)	41	167
Keysen Engineering Company, Limited	(b)	16	90
The Great Eagle Properties Management Company, Limited	(b)	4	1
Sun Fook Kong Housing Services Limited	(e)	-	5
Repairs and maintenance and renovations contracted to			
The Great Eagle Engineering Company Limited	(b)	618	340
Toptech Co. Limited	(b)	798	167
Keysen Engineering Company, Limited	(b)	52	107
The Great Eagle Properties Management Company, Limited	(b)	4	1
Sun Fook Kong Housing Services Limited	(e)	-	5
Property miscellaneous expenses			
Langham Place Hotel (HK) Limited	(b)	18	28
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	(b)	15	12
Insurance fee			
The Great Eagle Insurance Agency Limited	(b)	-	629
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited	(c)	4,584	3,985
HSBC Group ¹	(c)	38	38
Manager's fee			
Eagle Asset Management (CP) Limited	(b) & (f)	91,786	93,617
Finance costs			
Hang Seng Bank Limited ²	(c)	37,869	31,049
Bright Form Investments Limited ⁴	(b)	79,919	75,835
Valuation fee			
Knight Frank Petty Limited	(d)	120	100

29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties as are as follows:

	Notes	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
		(unaudited)	(audited)
Amount due from			
The Great Eagle Properties Management Company, Limited	(b) & (g)	25,942	25,942
Longworth Management Limited	(b) & (g)	15,311	15,311
Amount due to			
Eagle Property Management (CP) Limited	(b) & (g)	13,715	17,148
Eagle Asset Management (CP) Limited	(b) & (g)	91,786	87,425
Toptech Co. Limited	(b) & (g)	216	285
The Great Eagle Engineering Company Limited	(b) & (g)	405	1,132
The Great Eagle Properties Management Company, Limited	(b) & (g)	398	6,391
Keysen Engineering Company, Limited	(b) & (g)	271	251
Langham Place Hotel (HK) Limited	(b) & (g)	-	124
Deposits placed with the Group for the lease of the Group's properties			
China Mobile Hong Kong Company Limited	(a)	37	37
Eagle Property Management (CP) Limited	(b) & (h)	10	10
The Great Eagle Properties Management Company, Limited	(b)	915	915
Strong Dynamic Limited	(b) & (i)	-	-
Langham Place Hotel (HK) Limited	(b) & (j)	15	15
HSBC Group ¹	(c)	9,072	9,078

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29. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) This company is an associate³ of Dr. Lo Ka Shui (the Chairman of the Manger of Champion REIT and a director of Great Eagle) by virtue of Dr. Lo being an independent non-executive director of the ultimate holding company of this company.
 - (b) These companies are the subsidiaries of Great Eagle, a significant unitholder of Champion REIT units.
 - (c) These companies are the Trustee or associates³ of the Trustee.
 - (d) These companies are the principal valuer of Champion REIT or its associates³.
 - (e) This company is a subsidiary of SFK Construction Holdings Limited ("SFK"), which is an associate³ of Mr. Lo Kai Shui, a non-executive director of the Manager of Champion REIT and a director of Great Eagle, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK.
 - (f) 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 month period ended 30 June 2011 and 30 June 2010.
 - (g) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
 - (h) In addition to HK\$10,000 (31.12.2010: HK\$10,000) received as damage deposit, a bank guarantee of HK\$837,000 (31.12.2010: HK\$837,000) was received in lieu of deposit.
 - (i) A bank guarantee of HK\$2,585,000 (31.12.2010: HK\$2,593,000) was received in lieu of deposit.
 - (j) In addition to HK\$15,000 (31.12.2010: HK\$15,000) received as damage deposit, a bank guarantee of HK\$1,154,000 (31.12.2010: HK\$1,160,000) was received in lieu of deposit.
- ¹ HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.
- ² Hang Seng Bank Limited is the facility agent under the term loan facility of HK\$7,000 million and term loan and revolving credit facility of HK\$2,954 million. As at 30 June 2011, total loan outstanding was HK\$9,454 million.
- ³ As defined in the Code.
- ⁴ The finance costs represent effective interest for the aggregate principal amount of HK\$2,340,000,000 of 2008 Bonds held by Bright Form Investments Limited as at 30 June 2011.

INVESTMENT PROPERTIES PORTFOLIO

As at 30 June 2011

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	88.6%	36,275.0
Langham Place	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	1,293,000	1,022,000	99.7%	17,247.0

PERFORMANCE TABLE

	Notes	2011 (unaudited)	2010 (unaudited)	2009 (unaudited)	2008 (unaudited)	2007 (unaudited)
As at 30 June:						
Net asset value (HK\$'000)	1	36,677,252	29,150,470	27,110,663	31,896,398	18,349,086
Net asset value per unit (HK\$)	1	7.42	5.91	5.85	7.22	6.57
The highest traded price during the period (HK\$)		5.010	3.920	2.760	4.850	4.690
The highest premium of the traded price to net asset value	2	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)		4.320	3.230	1.560	3.500	3.690
The highest discount of the traded price to net asset value	1	41.79%	45.35%	73.33%	51.52%	43.84%
For the six months ended 30 June:						
Distribution yield per unit	3	2.40%	2.96%	5.13%	4.95%	3.05%
Annualized distribution yield per unit		4.80%	5.93%	10.27%	9.90%	6.10%
Net profit yield per unit	1 & 4	17.95%	5.49%	25.74%	19.26%	8.02%
Annualized net profit yield per unit	1 & 4	35.90%	10.98%	51.48%	38.52%	16.04%

Notes:

1. The comparative figures have been restated as a result of adoption of the amendments to HKAS 12, "Income Taxes".
2. The highest traded price is lower than the net asset value. Accordingly, no premium of the traded price to net asset value is presented.
3. Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1048 for the six months ended 30 June 2011 (which calculation was set out in the Distribution Statement) over the traded price of HK\$4.37 as at 30 June 2011.
4. 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 2011 over the traded price of HK\$4.37 as at 30 June 2011.



Champion REIT 冠君產業信託

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