



Champion REIT
冠君產業信託

Annual Report 2011

Building Income

Quality in Uncertain Times



← PDF version

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)



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 the 10 largest REITs by market capitalization in the Asia excluding Japan region. 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.

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.



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Corporate Information

Timeline of Significant Events

2011

14 Jan

Announcement that 60% of 2011 manager's fees will be paid in units

3 May

Appointment of Mr. Albert Ip as independent non-executive director

19 May

Refinancing of HK\$7 billion bank loan

23 May

Redemption of HK\$763 million of 2006 convertible bonds

11 Aug

2011 Interim Results

3 Oct

Payment of 2011 Interim Distribution

9 Dec

Cancellation (following repurchase) of HK\$55 million of 2008 convertible bonds



2012

20 Feb

2011 Final Results

16 Mar

Publishing of 2011 Annual Report

27 Apr – 3 May

Closure of Register of Unitholders

3 May

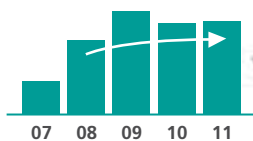
Annual General Meeting

16 May

Payment of 2011 Final Distribution



Five Year Financial Summary



multi-year leases smooth out impact of financial crisis

langham place acquired in june 2008

Profit (HK\$ mil)	2007	2008	2009	2010	2011
Total Revenue	\$839	\$1,614	\$2,035	\$1,876	\$1,940
Property Operating Expenses	(\$158)	(\$280)	(\$326)	(\$367)	(\$378)
Net Property Income	\$680	\$1,334	\$1,709	\$1,509	\$1,562
Profit After Tax	\$3,889	(\$3,230)	\$4,197	\$5,309	\$6,493

financial engineering ended in 2008

Distributions (HK\$)	2007	2008	2009	2010	2011
Distributable Income (mil)	\$650	\$1,037	\$1,312	\$1,084	\$1,170
Distribution Amount (mil)	\$670	\$1,408	\$1,242	\$1,067	\$1,111
Distribution per Unit	\$0.340	\$0.318	\$0.261	\$0.216	\$0.224
DPU (Underlying) ^	\$0.131	\$0.217	\$0.277	\$0.228	\$0.237

^ adjusted for cashflow from financial engineering and using a 100% payout ratio throughout

DPU bottomed in 2010

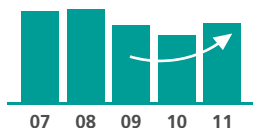
Valuation (HK\$)	2007	2008	2009	2010	2011
Gross Value of Portfolio (mil)	\$28,343	\$40,049	\$44,241	\$50,223	\$54,857
Net Asset Value per Unit	\$7.26	\$5.47	\$5.86	\$6.72	\$7.82

16% increase in portfolio value

Financial Ratios	2007	2008	2009	2010	2011
Expense Ratio	18.9%	17.3%	16.0%	19.6%	19.5%
Payout Ratio	100.0%	100.0%	94.6%	94.8%	94.4%
Gearing Ratio	26.1%	36.0%	32.2%	28.4%	25.0%

gearing reduced over time

Operational Statistics	2007	2008	2009	2010	2011
Citibank Plaza Occupancy	96.9%	97.9%	87.6%	81.5%	90.4%
.... and Passing Rent (HK\$ psf)	\$67.06	\$87.46	\$90.07	\$84.67	\$85.15
Langham Place Office Occupancy	-	98.3%	98.5%	99.4%	96.8%
.... and Passing Rent (HK\$ psf)	-	\$26.79	\$26.82	\$26.40	\$27.43
Langham Place Mall Occupancy	-	97.7%	100.0%	99.2%	100.0%
.... and Passing Rent (HK\$ psf)	-	\$88.90	\$88.61	\$97.48	\$100.77



occupancy continued to improve over 2H 2011

office at langham place not affected by financial turmoil

retail at langham place us to outperform

Chairman's Report to Unitholders

My fellow Unitholders, on behalf of the Board I am pleased to present Champion REIT's annual report for the financial year ended 31 December 2011.

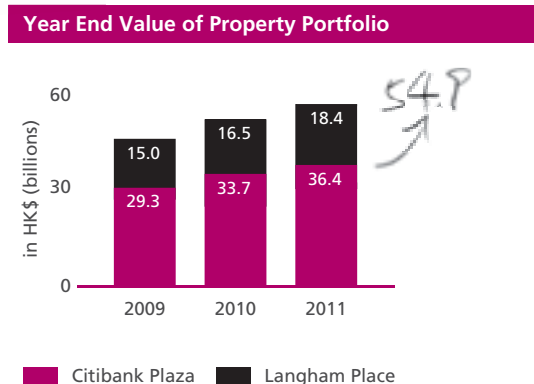
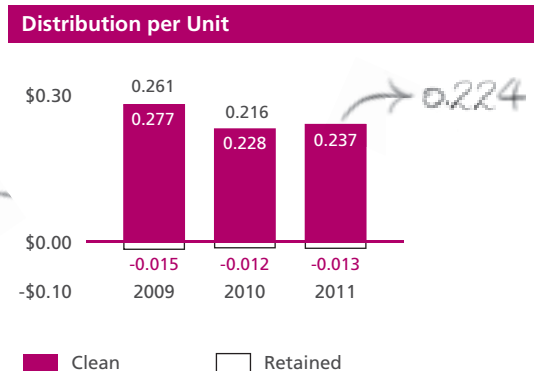
As the performance of both Citibank Plaza and Langham Place has improved over the past twelve months, 2011 income and distributions have increased. Profit After Tax increased to HK\$6,493 million for the Period. Excluding revaluation gains and other items that are non-cash in nature, Distributable Income for the Period is HK\$1,170 million, up 7.9% from 2010. The Distribution Amount, after retention of HK\$66 million for future use, is HK\$1,111 million. The Distribution per Unit ("DPU") for the second half of the year is HK\$0.1196. Combined with HK\$0.1045 paid out for the first half, the total DPU for the year is HK\$0.2241. This represents an increase of 3.7% from 2010. The effective distribution ratio for the year is 94.4%.

The appraised value of Champion REIT's properties increased 9.2% to HK\$54,857 million. The Trust's debt on the other hand decreased 5.5% from HK\$14,879 million to HK\$14,059 million because of the conversion, retirement or repurchase of various convertible bonds previously issued by the Trust. As a result, the Gearing Ratio as of 31 December 2011 improved to 25.0% from 28.4% a year ago. Net Asset Value improved correspondingly to HK\$7.82 per Unit, from HK\$6.72 in December 2010¹.

The finances of Champion REIT should remain stable in 2012. 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 3 years at a favourable interest rate of 0.93% p.a. above the Hong Kong Interbank Offered Rate (about 0.4% currently). The floating interest rate is substantially lower than the previous fixed interest rate of 2.82% p.a. and the full year impact of interest savings from the refinancing and bond maturity will only be seen in 2012.

There is no refinancing requirement in 2012 and the next scheduled refinancing will be in May 2013 when debt secured with Langham Place totaling HK\$7,059 million in notional principal will fall due.

Distributable Income for the Period is HK\$1,170 million, up 7.9% from 2010.



The full year impact of interest savings from the refinancing and bond maturity in 2011 will only be seen in 2012.

There is no refinancing requirement in 2012 and the next scheduled refinancing will be in May 2013.

¹ Net Assets for 2010 have been restated because of new accounting standards being introduced. Under the new Hong Kong 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.

Chairman's Report to Unitholders

Dr. Lo Ka Shui
Chairman



The liquidity in the HK Dollar funding market has tightened considerably since we secured the Citibank Plaza refinancing, resulting in a significant increase in the interest spread. We are watching the situation closely and are exploring various avenues to secure the necessary financing ahead of time. Unless there is considerable loosening in the present tight liquidity situation, it would be likely for us to see higher costs on refinancing.

The turmoil in the world financial markets has imparted a degree of uncertainty to the prospects the Hong Kong markets. The income from Citibank Plaza will come under some downward pressure in reaction to slow office demand in Central. That however should be mitigated to some extent by the rental growth at the Langham Place Mall. The income of Champion REIT should therefore be relatively stable overall in 2012. We will vigilantly

monitor developments in the economy and take all necessary measures on a timely basis to maintain our earnings momentum.

Lo Ka Shui
Chairman



The income of Champion REIT should therefore be relatively stable overall in 2012.

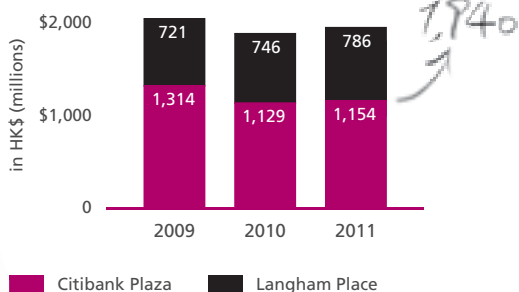
CEO's Review

Mr. Lee Ching Ming, Adrian
Chief Executive Officer



Gross Revenue for 2011 improved by 3.4% to HK\$1,940 million.

Gross Revenue

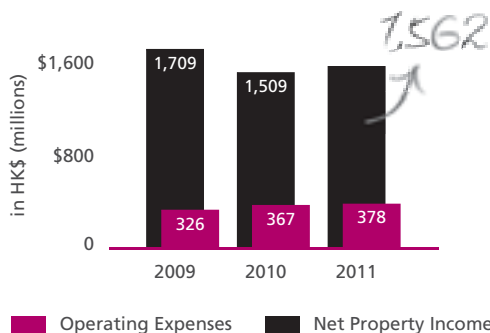


Total Revenue for 2011 improved by 3.4% to HK\$1,940 million. The office market in the Central District has softened since the second quarter of 2011 due to uncertainties in the banking and financial industry arising primarily from the debt crisis in Europe. The revenue from Citibank Plaza managed to improve marginally in 2011 nonetheless. And it was the continued strong performance of Langham Place Mall that contributed most to the overall revenue expansion. Net Property Income of the REIT improved by 3.6% to HK\$1,562 million.

Citibank Plaza

The office leasing market in Central weakened in the second half of 2011 after rents peaked in the first quarter. This weakening was a result of financial institutions' reaction first to the downgrading of the U.S. sovereign debt rating by Standard and Poor's and then to the growing European debt crisis. Banks in particular, facing tightening capital requirements and hence lower profitability, have come under pressure to downsize. While demand waned in the district, there was however almost no new supply of premium-grade office space for the entire year. Demand in the form of new and upgrading Chinese companies,

Net Property Income



new regional headquarters from the surrounding countries and international law firms building a presence in Hong Kong, was sufficient to keep overall vacancy in Central below 4% at the year's end. Asking rents remained relatively firm, although effective rents began to trend downwards in the second half of 2011.

The occupancy rate at Citibank Plaza improved from a low of 81.5% at the beginning of the year to 90.4% at year end, despite the expiry of 30% of the building during the year. That was the result of greater flexibility in our pricing strategy in the second half. The weighted average occupancy for the year was 87.6%.

Spot rents (the rental rate of new tenancies) at Citibank Plaza improved from HK\$100 per sq. ft. at the end of 2010 to HK\$120 per sq. ft. at mid year, before weakening back to around HK\$100 per sq. ft. by the year's end. Passing rental rates (the average rental rate of existing tenancies) at Citibank Plaza were held back by two factors. Firstly, a number of the larger leases commencing in 2011 were negotiated in 2010 when rent levels were still below HK\$100 per sq. ft. Secondly, the leases expiring in 2011, comprising close to a third of the building carried a relatively high average rent of HK\$97.61 per sq. ft. Nevertheless passing rents improved marginally to HK\$85.15 per sq. ft. Benefitting from a higher average occupancy, revenue from Citibank Plaza increased by 2.2% from HK\$1,129 million in 2010 to HK\$1,154 million in 2011.

The occupancy rate at Citibank Plaza improved from a low of 81.5% at the beginning of the year to 90.4% at year end, despite the expiry of over 30% of the building during the year.

Rental commissions associated with a higher volume of leasing activities (covering over 40% of the floor area) in 2011 more than doubled to HK\$41 million from HK\$18.9 million in 2010. Mainly due to this item, operating expenses increased by 11.3% to HK\$209 million for 2011. Net of the increased leasing expenses, net property income increased marginally by HK\$3.4 million to HK\$946 million.

Langham Place Office Tower

The demand-supply dynamics at the Kowloon office market, where the banking industry has a relatively small presence, were more in the landlords' favour. The continuing expansion of the services sector and relocations from Hong Kong Island created sustained demand for office space across all office districts on the Kowloon Peninsular. Occupancy at the Langham Place Office Tower was maintained at a high level of 96.8% at year-end 2011, as compared to 99.2% in 2010. At the same time, competitive pressure from the peripheral Kowloon East area eased considerably in 2011 as the vacancy rates there had fallen significantly. Consequently, spot rents in the various office districts of Kowloon, including those along the Tsim Sha Tsui – Yau Ma Tei – Mongkok corridor, rose over the year.

	FY 2011	FY 2010	% Change
	HK\$'000	HK\$'000	
Citibank Plaza			
Revenue	1,154,144	1,129,498	+ 2.2%
Operating Expenses	208,509	187,304	+ 11.3%
Net Property Income	945,635	942,194	+ 0.4%
Langham Place Office			
Revenue	254,314	267,506	- 4.9%
Operating Expenses	49,476	51,613	- 4.1%
Net Property Income	204,838	215,893	- 5.1%
Langham Place Mall			
Revenue	531,824	478,907	+ 11.0%
Operating Expenses	120,010	128,307	- 6.5%
Net Property Income	411,814	350,600	+ 17.5%

Average Monthly Passing Rent

(HK\$ per sq. ft.)	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11
Citibank Plaza Office	84.67	84.47	85.01	84.97	85.05	85.35	84.33	84.56	84.56	84.64	84.31	84.79	85.15
Langham Place Office	26.40	26.45	26.47	26.58	26.74	26.83	26.93	27.29	27.29	27.44	27.39	27.43	27.43
Langham Place Retail	97.48	97.65	97.65	98.00	98.09	98.56	98.48	98.71	99.00	99.67	100.11	100.64	100.77

Notes:

Citibank Plaza and Langham Retail rents are stated on lettable area while Langham Office is stated in gross floor area terms
Retail rents exclude turnover rent

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' business nature. Passing rents have begun to rise as a result of the higher pricing levels and they increased from HK\$26.40 to HK\$27.43 over the course of the year. As most of the leases that

Retail sales in Hong Kong were very strong in 2011, on the back of the continuing influx of Mainland tourists. With its increasingly appealing mix of quality retailers, the performance of Langham Place Mall has more than kept pace with the general market. The average gross sales of tenants at the Mall improved by 24% year-on-year.

commented in the first half of 2011 were locked in last year and there was little additional vacant space to lease out in the second half, the recent increase in spot rents have yet to feed through in earnest.

While pure rental revenue improved slightly, revenue for the Langham Place Office Tower was affected by the expiry of a naming right agreement at the end of 2010, and the loss of associated income of about HK\$14.1 million caused revenue to fall by 4.9% to HK\$254 million. Net property income also saw a corresponding decrease of 5.1%, from HK\$216 million in 2010 to HK\$205 million in 2011.

Langham Place Mall

Foot traffic at the Mall went up even further in 2011 from the already very high levels of 2010, mainly due to more visits by tourists, especially those from Mainland China. The Mall remained virtually fully let throughout the year. Its renowned innovative

promotion programmes continued to be well received in 2011, further solidifying its position as the leading shopping centre for the young and trendy in Hong Kong. Shops in Langham Place have continued to be keenly sought after by retailers, so much so that we have considerable leverage in selecting retailers that possess the best potential for sales growth. Many of the new tenants brought in during the past two years have produced remarkable sales results.

Retail sales in Hong Kong were very strong in 2011, on the back of the continuing influx of Mainland tourists. With its increasingly appealing mix of quality retailers, the performance of Langham Place Mall has more than kept pace with the general market. The average gross sales of tenants at the Mall improved by 24% year-on-year to HK\$889 per sq. ft. Driven by our effective and persistent marketing and publicity efforts targeting the Mainland, through both print and social media, many Mainland tourists shopping for name-brand cosmetics and mid-priced fashion now consider Langham Place to be one of their favourite destinations, and they have been a factor behind the increased spending at the Mall.

The strong demand for shop space at the Mall has given the leasing team considerable pricing power and the vast majority of existing tenants have been willing to pay higher rents to retain their spaces while new tenants are paying to get in. The average passing rent rate increased from HK\$97.48 per sq. ft. at the end of 2010 to HK\$100.77 at year-end. On top of that, turnover rent increased by 56% from HK\$41 million in 2010 to HK\$64 million in 2011, equivalent to an additional HK\$16.71 per sq. ft. in income over the base rents. The jump in turnover rents indicates that the sales growth of tenants has outpaced the rise in their basic rents.



Revenue increased by 11% from HK\$479 million to HK\$532 million. 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\$11.9 million. An increase in the property management and promotion charges charged to tenants brought in extra revenue of HK\$5 million. Expenses decreased 6.5% from HK\$128 million in 2010 to HK\$120 million in 2011 mainly due to lower rental commissions as only 17% of the leases in the Mall by floor area expired in 2011 compared to the 44% rolled over in 2010. After combining the impact of higher rental income with lower operating costs, net property income for 2011 rose 17.5% to HK\$412 million from HK\$351 million in 2010.

Outlook

2012 will continue to pose challenges for our leasing activities at Citibank Plaza. It will take time for the debt crisis in Europe to be resolved, thereby dragging down global economic growth. As the year began, many banks embarked upon aggressive cost control programmes, which often entail headcount reduction. Over the coming months, reduced space requirements and decentralization will affect the Central office market. There will therefore be downward pressure on rent rates. The limited new supply in the Central core and the continued strength of the China economy should however help to lessen the impact. Though less than 10% of the floor area in Citibank Plaza will see their leases expire in 2012, it is our plan to stay competitive on rent rates in order to maintain occupancy. In the mean time, the management team has been working hard to improve the tenant experience at the property through significant upgrades in the quality of facility management and customer service.

The prospects for Langham Place in 2012 should be somewhat brighter. We expect continued high levels of occupancy for the Office Tower where the vast majority of the tenants are non-financial in nature. There also exists a gap between passing and market rents that can be closed over time. However as only 10% of its leases by floor area are expiring this year, income growth through rental reversion will be moderate. The Langham Place Mall should continue to benefit from a robust retail market in 2012. 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 mid-priced fashion and accessories retailers. For 2012, 26% of the space in the Mall will be due for rollover and we have in the vast majority of cases locked in higher rent rates. Coupled with the full-year accounting for rental increases arising from leases done in 2011, we should continue to see good growth in base rental income from this property in 2012. It however remains to be seen if the phenomenal increase in turnover rent income of 2011 (which contributed 13.7% on top of the base rent income) can be sustained. A slow down in the growth rate of tenant sales could lead to a decline in turnover rents, thereby moderating the overall income growth of the Mall in 2012.

Lee Ching Ming, Adrian

Chief Executive Officer

Citibank Plaza: Over the coming months, reduced space requirements and decentralization will affect the Central office market.... the limited new supply in the Central core and the continued strength of the China economy should however help to lessen the impact.

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Board of Directors



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. The Board will also review major financial decisions and the performance of the REIT Manager. The Board current consists of the Chairman, the Chief Executive Officer, 3 Non-executive Directors and 3 Independent Non-executive Directors.



Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 65, was appointed the Chairman, a Non-executive Director and members of Audit Committee and Disclosures Committee of the REIT Manager in 2006. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited. He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research, the Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority.

Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than thirty years' experience in property and hotel development and investment both in Hong Kong and overseas. He is an elder brother of Mr. Lo Kai Shui, a Non-executive Director of the REIT Manager.

Dr. Lo Ka Shui

Chairman and Non-executive Director

Mr. CHENG Wai Chee, Christopher

Non-executive Director

Mr. CHENG Wai Chee, Christopher, aged 63, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Cheng is the Chairman of Wing Tai Properties Limited and Winsor Properties Holdings Limited. He is an Independent Non-executive Director of several listed companies, including NWS Holdings Limited,



*Mr. Cheng Wai Chee,
Christopher*

Non-executive Director

New World China Land Limited, Kingboard Chemical Holdings Limited. He is also a director of DBS Group Holdings Limited and Temasek Foundation CLG Limited. Mr. Cheng plays an active role in public service. He is a member of the Exchange Fund Advisory Committee of the Government of the HKSAR, a council member of The University of Hong Kong, the board of Overseers at Columbia Business School, member of President's Council on International Activities of the Yale University, a steward of The Hong Kong Jockey Club and former Chairman of the Hong Kong General Chamber of Commerce.

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

Mr. HO Shut Kan

Non-executive Director

Mr. HO Shut Kan, aged 63, was appointed a Non-executive Director of the REIT Manager in 2007. He has over thirty years of experience in the property sector. He is currently serving as an Executive Director of Kerry Properties Limited, a listed company in Hong Kong. He is also a director of Shang Properties, Inc. which is listed in the Philippines.

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

Mr. Ho Shut Kan
Non-executive Director



Mr. LO Kai Shui

Non-executive Director

Mr. LO Kai Shui, aged 52, was appointed a Non-executive Director of the REIT Manager in 2006. Mr. Lo is the Deputy Managing Director of Great Eagle Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange and the founder of Sun Fook Kong Group Limited. He has more than twenty-nine years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors.

Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a younger brother of the Chairman, Dr. Lo Ka Shui.

Mr. Lo Kai Shui
Non-executive Director





Mr. LEE Ching Ming, Adrian

Executive Director and Chief Executive Officer



Mr. LEE Ching Ming, Adrian, aged 60, was appointed Chief Executive Officer, an Executive Director, a Responsible Officer and the Chairman of Disclosures Committee of the REIT Manager in 2008. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over thirty-eight years. Prior to joining the REIT Manager, Mr. Lee has held senior management positions for more than fourteen years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management of marketing, leasing and sales activities, banking relationships, corporate communications and investor relations. He was also a Director and the General Manager of Eagle Property Management (CP) Limited, the Property Manager of Champion REIT. Mr. Lee also has over two decades of corporate real estate lending and advisory experience with a multinational banking institution. Mr. Lee is at present a Non-executive Director of Cinderella Media Group Limited (formerly known as Recruit Holdings Limited).

Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Sciences degree.

Mr. Lee Ching Ming, Adrian

Executive Director and Chief Executive Officer

Mr. CHA Mou Sing, Payson

Independent Non-executive Director

Mr. CHA Mou Sing, Payson, aged 69, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman of the Board of Directors of HKR International Limited, the Chairman and Non-executive Director of Hanison Construction Holdings Limited and an Independent Non-executive Director of New World Development Company Limited, all of which are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited and the Chairman of Mingly Corporation and a Director of Asia Television Limited. Mr. Cha is also a committee member of the National Committee of the Eleventh Chinese People's Political Consultative Conference of the People's Republic of China. He is also a Director of LBJ Regents Limited and CCM Trust (Cayman) Limited, all of which are substantial shareholders of HKR International Limited.

Mr. Cha holds an honorary doctorate degree of Social Science from City University of Hong Kong. He has over forty years' experience in property development.



Mr. Cha Mou Sing, Payson

Independent Non-executive Director

Mr. SHEK Lai Him, Abraham

Independent Non-executive Director



Mr. SHEK Lai Him, Abraham, aged 66, was appointed an Independent Non-executive Director, members of Audit Committee and Disclosures Committee of the REIT Manager in 2006. Mr. Shek is a member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency since 2000. He is also a Director of The Hong Kong Mortgage Corporation Limited and a Vice Chairman of Independent Police Complaints Council. Mr. Shek is the Chairman and an Independent Non-executive Director of Chuang's China Investments Limited, the Vice Chairman and an Independent Non-executive Director of ITC Properties Group Limited and also an Independent Non-executive Director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, Kosmopolito Hotels International Limited and China Resources Cement Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

He is also an Independent Non-executive Director of Regal Portfolio Management Limited (Manager of the publicly listed Regal REIT).

Mr. Shek Lai Him, Abraham

*Independent
Non-executive Director*

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

Mr. IP Yuk Keung, Albert

Independent Non-executive Director

Mr. IP Yuk Keung, Albert, aged 59, was appointed an Independent Non-executive Director and the Chairman of Audit Committee of the REIT Manager in 2011. He is also an Independent Non-executive Director of Hopewell Highway Infrastructure Limited, which is listed on The Stock Exchange of Hong Kong Limited. He is an international banking and real estate professional with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo and Merrill Lynch in Hong Kong, Asia and the USA. His areas of expertise are in real estate, corporate banking, financial institutions, transaction banking and wealth management. Mr. Ip is the Council Member of The Better Hong Kong Foundation, Adjunct Professor, Council and Court Member of Lingnan University, Member of International Advisory Board of College of Business and Adjunct Professor of City University of Hong Kong, Chapter Honoree of City University of Hong Kong Chapter of Beta Gamma Sigma (effective in April 2012), Chairman of Vocational Training Council Fund Raising Committee, Member and Governor of Technological and Higher Education Institute of Hong Kong, Advisory Board Member of Faculty of Business Administration and Member of the International Advisory Committee of the University of Macau, Member of International Advisory Council for Asia, Advisory Board Member of Center for Finance & Accounting Research and Executive Fellow at Washington University in St. Louis, Council Member of Cornell University and Board of Governor of Hong Kong America Center.

Mr. Ip graduated from Washington University in St. Louis with Bachelor of Science Degree in Applied Mathematics and Computer Science (summa summa laude), from Cornell University with Master in Applied Mathematics and from Carnegie-Mellon University with Master in Accounting & Finance.

Mr. Ip Yuk Keung, Albert

*Independent
Non-executive Director*



Senior Management



The REIT Manager, Eagle Asset Management (CP) Limited, is charged with the responsibility of managing the assets of Champion REIT for the benefit of Unitholders. It is responsible for ensuring compliance with the applicable provisions of the REIT Code, the Securities and Futures Ordinance and other relevant legislation.

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

Profiles of Executive Officers

Mr. Lee Ching Ming, Adrian

Chief Executive Officer

Mr. Lee, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. Additionally, he is responsible for the day-to-day operations. Mr. Lee is a Responsible Officer as defined under the Securities and Futures Ordinance.

Biographical information on Mr. Lee can be found on the page highlighting the board of directors.

Mr. Patrick Choo

Chief Investment Officer

Mr. Choo is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. He is also responsible for the capital structuring of Champion REIT, including the planning and overseeing of capital raising activities from the market. Mr. Choo has over 23 years of

asset management experience in Hong Kong and Singapore as a licensed fund manager and is well acquainted with the operational and regulatory environment involving multi-investor trust structures registered in Hong Kong. In previous jobs, he has led investment teams at various well established asset management companies, managing private assets, public authorized unit trusts and Mandatory Provident Fund master trust funds. Mr. Choo is a Responsible Officer as defined under the Securities and Futures Ordinance.

Mr. Choo graduated magna cum laude from the University of Pennsylvania with a Bachelor of Science in Engineering degree.

Mr. Kwong Chi Kwong

Chief Operating Officer

Mr. Kwong is responsible for formulating the business plans of Champion REIT's properties and supervising the property management team with a view to maximizing rental income via active asset management. Mr. Kwong has more than 25 years'

Mr. Lee Ching Ming,
Adrian
Chief Executive Officer

Mr. Patrick Choo
Chief Investment Officer

Mr. Kwong Chi Kwong
Chief Operating Officer





experience in the industry and has held a variety of management and supervisory roles in areas of leasing and sales of properties, formulation and implementation of market plans, market research, site acquisitions, feasibility studies, liaison with government authorities and external professionals and administration. Mr. Kwong is a Responsible Officer as defined under the Securities and Futures Ordinance.

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

Ms. Sung Kar Wai, Rosana

Finance and Office Administration Manager

Ms. Sung is primarily responsible for the financial reporting and general office administration of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. With more than 15 years of accounting and audit experience, Ms. Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

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

Mr. David Law

Compliance Manager

Mr. Law is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Prior to joining the REIT Manager, Mr. Law worked in various legal firms, an estate developer and an international insurance company, performing paralegal services and compliance duties.

Mr. Law holds a Bachelor of Laws from the University of London and a High Diploma in Legal Executive Studies from the Hong Kong Polytechnic University.

Mr. Lee Pak Shing, John

Internal Auditor

Mr. Lee is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures internal control systems function properly and provides regular reports to the audit committee of the board of directors. Prior to joining the REIT Manager, Mr. Lee worked as a senior internal auditor at a well-recognized listed retailer and has over 17 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

Mr. Lee holds a Bachelor of Commerce degree in Accounting and Finance from Dalhousie University and a Master of Science degree in Operational Research from the London School of Economics and Political Science. Mr. Lee is a member of the Association of Chartered Certified Accountants.

Ms. Sung Kar Wai, Rosana

Finance and Office Administration Manager

Mr. David Law
Compliance Manager

Mr. Lee Pak Shing, John
Internal Auditor



Management Philosophy

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

Asset Management Strategy

The REIT management team, working closely with the property management team, will proactively manage its properties, and achieve the following:

- Maximize Rental Income**
 by optimizing rental income from each tenancy and where possible augmenting rental income through additional floor area, asset enhancements or turnover rent.
- High Occupancy Levels**
 by maintaining high quality service and technical standards, and by capitalizing on the requirements of targeted tenant niches and actively managing tenancy expiries.
- High Tenancy Renewal Rates**
 through proactively tenant relationship management and anticipation of future tenant needs. This will minimize rental losses due to downtime and lower expenses and agency fees incurred for new tenancies.
- A Quality Tenant Base**
 built upon high covenant multi-national office occupiers and well recognized retail tenants, to maintain a premium image for our properties and to minimize default rates.

Acquisition Strategy

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

- Yield Accretion**
 properties to be acquired should have strong existing or potentially higher rental income.
- Potential for Net Asset Growth**
 macro economic factors and the potential for future changes in asset value will be assessed.
- Tenant Characteristics**
 rent and occupancy trends will be assessed with emphasis on good tenant retention/default rates.
- Location and Accessibility**
 properties for convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.
- Value-adding Opportunities**
 through renovation, other enhancements and proactive property management will also be assessed.
- Building Specifications**
 should be best of class. Other aspects such as building condition, compliance with regulations will also be examined.



Distributions

Distribution Amount

Total Distribution Amount of Champion REIT for the Year was HK\$1,110,520,000 (2010: HK\$1,066,870,000). Such Distribution Amount was calculated based on 90% (2010: 90%) of Champion REIT's total available distributable income for each of the first and second halves of the Year, plus an additional amount of HK\$6,050,000 (2010: HK\$39,390,000) at the discretion of REIT Manager. Because of the compulsory inclusion of retained distributions from the first half of the Year into the distributable income of the second half (as required under the Trust Deed), the effective payout ratio for the full year was 94.4% (2010: 94.8%).

Distribution per Unit

The Distribution per Unit for the six months ended 31 December 2011 was HK\$0.1196. Such Distribution per Unit, however, is subject to adjustment upon the issuance of new Units between 1 January 2012 and the record date. Further announcement will be made to inform Unitholders of the final Distribution per Unit for the six months ended 31 December 2011.

With an interim Distribution per Unit of HK\$0.1045 and a final Distribution per Unit of HK\$0.1196, total Distribution per Unit for the Year amounted to HK\$0.2241 (2010: HK\$0.2162). The Distribution per Unit of HK\$0.2241 represents a distribution yield of 7.67% based on the closing price of HK\$2.92 as at 30 December 2011.

Closure of Register of Unitholders

The Register of Unitholders will be closed from Friday, 27 April 2012 to Thursday, 3 May 2012 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The payment of the 2011 Final Distribution will be made on 16 May 2012 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2011 Final Distribution and be entitled to attend and vote at the 2012 Annual General Meeting, 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, no later than 4:30 p.m. on Thursday, 26 April 2012.

Debt Profile

Total outstanding borrowings of the Trust amounted to HK\$14,059 million as at 31 December 2011. It comprised bank borrowings of HK\$9,454 million and convertible bonds of HK\$4,605 million in principal amount. When compared to HK\$14,879 million as at 31 December 2010, total borrowings of the Trust decreased by HK\$820 million. The reduction in borrowings was due to (a) the redemption of the outstanding principal of HK\$763 million of the convertible bonds issued in year 2006 (the "2006 Bonds") at 110.328% on 23 May 2011 through internal resources of the Trust; and (b) the conversions and repurchases of the convertible bonds during the year which are summarized below:

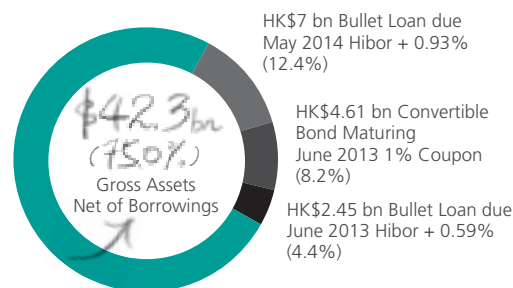
- The conversion of a total principal amount of HK\$2 million of the 2006 Bonds at the conversion price of HK\$4.26. The conversions were settled by cash in an aggregate amount of HK\$2.2 million.
- The conversion of a principal amount of HK\$10,000 of the convertible bonds issued in year 2008 (the "2008 Bonds") at the conversion price of HK\$3.61. The conversion was settled by the issuance of 2,770 units of Champion REIT.
- The repurchase of a total principal amount of HK\$55 million of the 2008 Bonds at the price of 119 per cent of its principal amount. The repurchased convertible bonds were cancelled on 9 December 2011.

A new term loan of HK\$7,000 million (the "2011 Term Loan") was put in place in May 2011 to fully refinance the outstanding principal of HK\$7,000 million under the term loan granted to the Trust in 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.

The 2008 Bonds were issued at a yield to maturity of 5.25%, a redemption price of 123.94% and coupon of 1% per annum. As at 31 December 2011, the 2008 Bonds were convertible at an adjusted conversion price of HK\$3.61.

As at 31 December 2011, all bank loans of the Trust, representing 67% of the Trust's total debt, were on floating 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.

HK\$14.1 billion of Debt



Total outstanding borrowings of the Trust amounted to HK\$14,059 million as at 31 December 2011. When compared to 31 December 2010, total borrowings of the Trust decreased by HK\$820 million.

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

	31 December 2011	
	HK\$ million	% of total
Due in year 2012	–	–
Due in year 2013	7,059	50.2
Due in year 2014	7,000	49.8
Total	14,059	100.0

The valuation of the Trust's investment properties at 31 December 2011 was appraised at HK\$54,857.3 million, representing a 9.2% appreciation from HK\$50,222.6 million achieved at 31 December 2010. Consequently, the Gearing Ratio, or total borrowings as a percentage of gross assets was 25.0% as compared with 28.4% a year ago. The gross liabilities (excluding net assets attributable to Unitholders) as a percentage of gross assets were 27.2%.

Net Assets Attributable To Unitholders

Driven primarily by an increase in the fair value of investment properties, Net Assets Attributable to Unitholders was HK\$38,755.6 million or HK\$7.82 per Unit as at 31 December 2011, an increase of 16.9% compared to the restated value of HK\$33,141.9 million or HK\$6.72 per Unit as at 31 December 2010. The restatement for 2010 was due to the adoption of the amendments to HKAS 12, "Income Taxes" where deferred tax liabilities are no longer required for the appreciation of investment properties. The Net Asset Value per Unit of HK\$7.82

As at 31 December 2011, the Trust had total undrawn bank loan facilities of HK\$500 million and a cash balance of HK\$1,292.8 million.

represented a 167.8% premium to the closing unit price of HK\$2.92 as at 30 December 2011.

Cash Position

As at 31 December 2011, the Trust had total undrawn bank loan facilities of HK\$500 million (31 December 2010: HK\$700 million) and cash balance of HK\$1,292.8 million (31 December 2010: HK\$2,038.1 million). The decrease in the Trust's cash balance was mainly due to the redemption of the 2006 Bonds in an amount of HK\$841.8 million during the year.

Upon the refinancing and redemption of the 2006 Bonds in May 2011, properties of the Trust with a fair value of HK\$5,785 million as at 31 December 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 Trust, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

Pledge Assets

As at 31 December 2011, properties of the Trust with a fair value of HK\$49,072.3 million (31 December 2010: HK\$50,222.6 million) 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 Trust.

Commitments

As at 31 December 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 carparking 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 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.

In the opinion of the Independent Non-executive Directors of the REIT Manager, the Vendor or the Guarantor, being Fair Page Limited and Kerry Properties Limited respectively, has fulfilled their obligations under the Arrangement for the financial year ended 31 December 2011.

The top five real estate agents and contractors and their respective value of service are given below:

Real estate agents and contractors	Nature of service	Value of contract	Relevant cost
		HK\$	%
The Great Eagle Properties Management Company, Limited	Building management	154,919,000	50.2
Eagle Property Management (CP) Limited	Leasing and marketing	76,820,000	24.9
Longworth Management Limited	Building management	30,621,000	9.9
Colliers International Agency Limited	Leasing	11,825,000	3.8
Grandprix Interior Contract And Engineering Company Limited	Renovation works	3,576,000	1.2
Total		277,761,000	90.0

Corporate Social Responsibility





Corporate Social Responsibility

Corporate social responsibility is a trait of world class business concerns and a cornerstone of Champion REIT’s management philosophy. To this end, issues such as health, safety, the environment, and community development are given serious consideration at the strategic level as well as in the day-to-day operations of the Trust’s properties.

Health and Safety

Champion REIT’s properties contain many of the environmental and safety features expected of modern premium grade properties, including computerized automatic fire detection alarm systems and emergency power to common areas and essential facilities when there is a power failure event. Regular fire drills are also conducted. A safe working environment and in particular air quality is a very important factor for office tenants and high standards for indoor air quality and circulation are maintained.

The management systems of both Citibank Plaza and Langham Place are certified under OHSAS 18001 to ensure proper and up-to-date health and safety procedures. Our properties are also classified as ‘Excellent’ under the Environmental Protection Department controlled IAQ Certification Scheme for Offices and Public Places. They are also recipients of the Quality Water Recognition Award issued by the Water Supplies Department.



The relaxation and cardiovascular needs of the tenants are an integral part of the Champion REIT success formula. Citibank Plaza is home to a health club featuring a health spa, gymnasium and a heated swimming pool among other exercise facilities, is available. The health facility is sizable, occupying almost four floors of one tower. Langham Place contains a 70,000 square feet fitness and well-being centre, purportedly housing the world’s largest Yoga studio, as well as many smaller spas.

Environmental Protection

Energy efficiency is an important means of reducing pollution and conserving the world’s limited resources. Pursuing energy efficiency also has the parallel benefit of reducing operating costs, even while global warming is ameliorated.

The management systems of both Citibank Plaza and Langham Place are certified under OHSAS 18001 to ensure proper and up-to-date health and safety procedures.

An energy saving feature common to both of Champion REIT’s properties is the use of large multi-story glass curtain walls to provide atrium and lobby areas with natural lighting. At Langham Place, this feature is particularly noticeable and anyone can look through the 9 storey mall atrium and see the neighbourhood buildings on the other side. Reflective coatings along the primary glass walls provide additional energy savings by reflecting heat while allowing light to enter the interior. Both of our properties also boast a comprehensive ventilation and air conditioning system complete with a floor-by-floor climate sensors and control system. To minimize redundant cooling, air-conditioning can be controlled in incremental areas and turned off for unused areas. One novel energy-saving feature at Langham Place is the optimization of lift loading for the office tower, where passengers choose which floor they are going to before entering the lift. The computerized system then directs to the same lift all passengers headed for the same floor.

The environmental management systems of both Citibank Plaza and Langham Place are certified under ISO 14001. This drives progressive environmental protection policies and there is an ongoing initiative to reduce the energy footprint of Champion REIT’s properties. Over the past 2 years, new energy saving measures have reduced their combined annual electricity usage by 3.9%, to 60.9 million kWh. Over the same time, there was a combined reduction of water usage of 8.4%, to 337,000 cubic meters. Both Citibank Plaza and Langham Place received a Green Management Award issued by Green Council under the Hong Kong Green Award 2011.

Going forward, there should be greater savings in electricity as the chiller plants at Citibank Plaza are replaced over time. Both properties have Electric Vehicle Recharging Stations installed to support the introduction of electric vehicles to Hong Kong.

Recycling programs are in place to administer and facilitate the collection of waste paper and other office or retail waste for recycling. In August 2011, the Environmental Protection Department of the Hong



Kong Government issued certificates to Citibank Plaza and Langham Place certifying the effectiveness of their programs on Source Separation of Commercial and Industrial Waste and hence acknowledging their contribution to environmental protection. 247,369 kg of waste paper products from our two properties were collected and sent for recycling in 2011. We also collected 1,058 kg of fluorescence tubes, 891kg of plastic bottles as well as smaller quantities of food waste, aluminium cans and batteries for recycling through the year.

To reduce paper usage, Champion REIT is in the process of amending its trust deed to delete the requirement to deliver a physical copy of its annual and interim report to each unitholder. From the financial year 2012 onwards, Unitholders will be able to choose if they wish to be mailed a copy of the Trust's reports after each results announcement. PDF versions of the Trust's financial reports have been available at www.championreit.com since the Trust was listed and for the first time this year, a QR Code has been added to the front cover of this report for the PDF version.

Over the past 2 years, new energy saving measures have reduced their combined annual electricity usage by 3.9%, to 60.9 million kWh. Over the same time, there was a combined reduction of water usage of 8.4%, to 337,000 cubic meters.

Social Responsibility

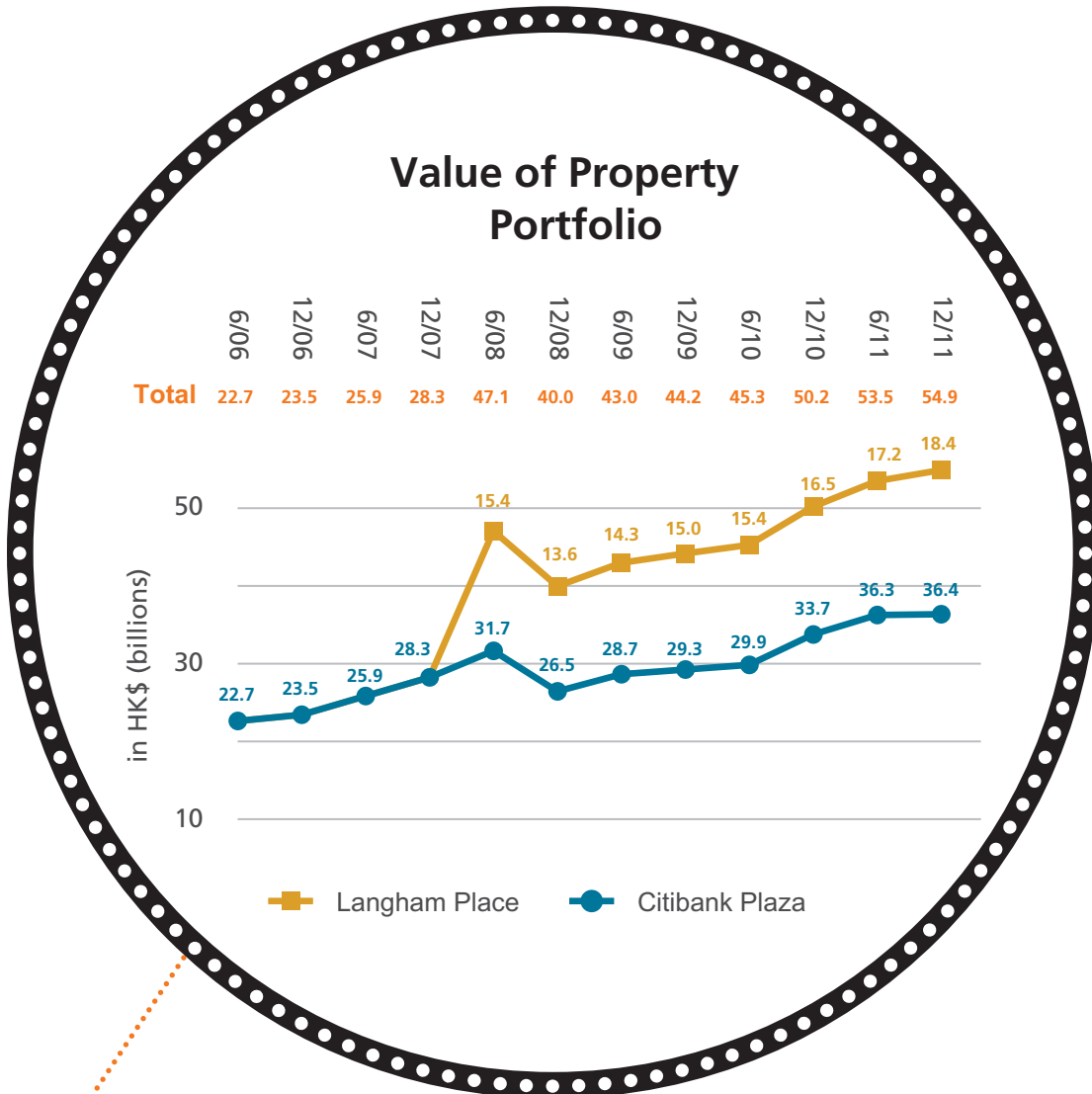
Free exhibition space for cultural or educational activities are the typical ways our properties use to execute their social responsibility. In 2011 both Citibank Plaza and Langham Place Mall served as the venue for the Chinese Opera Photo Exhibition by Olivia Cheng. Citibank Plaza also hosted the Creative Paper-Roll-Play event organized in conjunction with Playright. Examples of charity events taking place in 2011 on our properties were the Citi Vertical Challenge and the Kieh!s 160th Anniversary Charity Carnival. Langham Place was the venue for an event by the Intellectually Disabled Education and Advocacy League and also the "Through Our Eyes" exhibition. Blood donation drives were also held at both properties.

Being a retail property, the Langham Place Mall has a greater flexibility to raise funds for charitable concerns. The most successful of these is the ongoing Spiral Stars Gallery project, where HK\$188,000 of donations were accumulated for the Make-A-Wish Foundation in 2011 through donation boxes built into the 12 zodiac sculptures of the gallery. In addition, over HK\$106,600 was raised for World Vision in support of relief efforts after the Tohoku Earthquake and Tsunami in Japan. Langham Place also continued its participation in the IDEAL charity moon cake sale in 2011. This year, Langham Place was again selected as a Caring Company by the Hong Kong Council of Social Service.

From the financial year 2012 onwards, Unitholders will be able to choose if they wish to be mailed a copy of the Trust's reports.

Portions of both properties are also dedicated to public usage. In service to the community, Citibank Plaza provides more than 60,000 sq. ft. of floor space as a public thoroughfare. It also maintains two pedestrian bridges abutting the public thoroughfare, providing sheltered elevated access between Hong Kong Park and Central. Langham Place provides a pedestrian system consisting of bridge and underground tunnel that allows easy and safe access from the MTR Station to the community centre and minibus depot on Shanghai Street.

Property At-a-glance

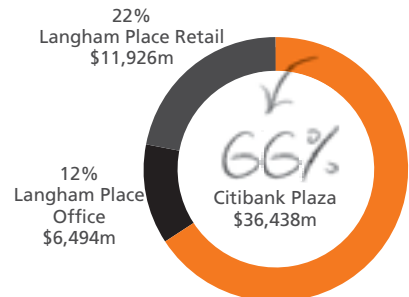


Value of Champion REIT's properties by usage

	Citibank Plaza	Langham Place	Sub-total
Dec 2011 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	35,482	6,494	41,976
Retail	379	11,590	11,969
Car Park	277	217	494
Miscellaneous	300	118	418
Total	36,438	18,419	54,857

For additional details, please refer to the valuation report section

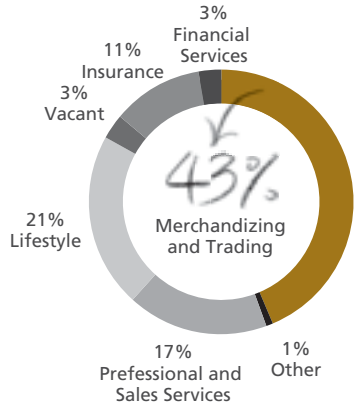
Dec 2011 Valuation: HK\$54.9 bn



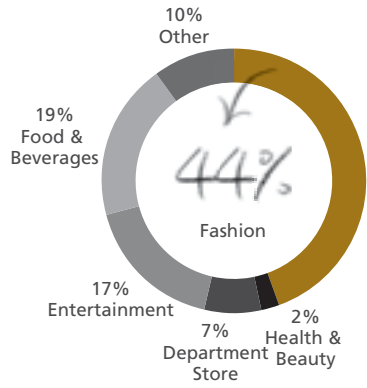
Langham Place



Office Tenant Profile



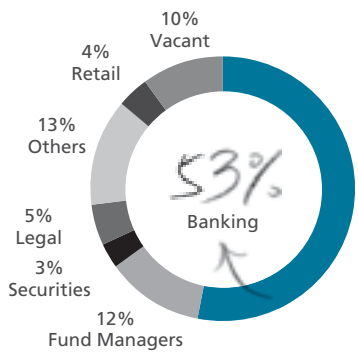
Retail Tenant Profile



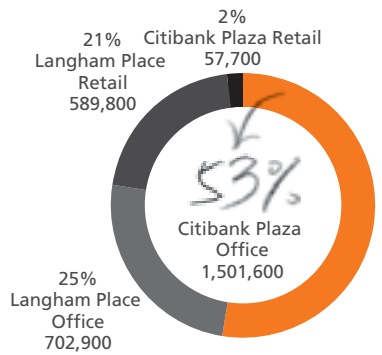
Citibank Plaza



Tenant Profile



Gross Floor Area 2.85 mil sq. ft.



Some Major Tenants of Champion REIT (in alphabetical order):

- Bank of America Merrill Lynch
- Citibank N.A.
- Hennis and Mauritz
- HSBC
- Industrial and Commercial Bank of China
- Neo Derm
- Pure Yoga
- Sears
- Seibu
- UA Cinemas

No.3 Garden Road : Citibank Plaza





Building Statistics



HK\$36.44 billion
Assessed Value*



Built in 1992



205m Tall,
Highest Floor is 50



558 Vehicle
Basement Garage



71 Tenants*



43,000 sq. ft.
Lettable Retail Area



34,000 sq. ft.
Gross Floorplate



1,559,000 sq. ft.
Total Floor Area*



1,170,000 sq. ft.
Lettable Office Area*

* only Champion REIT's portion

Features & Amenities



9 Emergency Generators
(12,400kVA)



36 passenger lifts
in 9 zones



Security Card Access



Private Driveway



Private Taxi Stand



Electric Vehicle
Charging Stations



Internal Loading Dock



10-Storey Lobby Atrium



HKIAQ Certification



Heated Swimming Pool



OHSAS 18001 Certification



ISO 14001 Certification



30,000 sq. ft.
Health Club

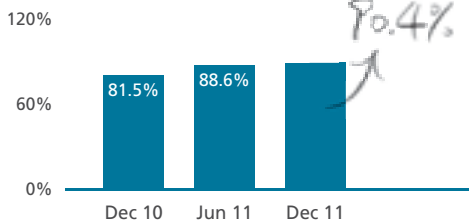
Citibank Plaza

Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions, the building's primary target tenants.

Prime Asset

Citibank Plaza is a modern glass and steel office complex that comprises Citibank Tower, ICBC Tower, a 3 level basement garage capable of accommodating 558 vehicles, as well as a retail podium. The complex is located in the Central District of Hong Kong and is well connected by elevated walkway to the rest of Central. Its address at No. 3 Garden Road is nestled within the traditional banking hub of Hong Kong which also contains the headquarter buildings of all three of Hong Kong's currency issuing banks. Champion REIT owns all floors of ICBC Tower, all but 4 floors of Citibank Tower, all the retail space and parking space of Citibank Plaza. In percentage terms, this is equivalent to approximately 96% of the lettable area. Occupancy at the property is currently 90.4%.

Occupancy At Citibank Plaza



Architectural Excellence

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

Premium Grade 'A' Specifications

Citibank Plaza is the archetypal modern premium grade 'A' office complex, replete with fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate cabling and flexibility in office configurations, a central computerized control center and a master satellite signal distribution system. Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions, the building's primary target tenants. These include security lift facilities for treasury items, high redundant power supply to floor space ratios, timely emergency power supply and more importantly emergency chilled water facilities to data centres during power outages. It also operates an intelligent heat detection system which can prevent the unintentional activation of sprinklers.

Asset Enhancement

Some phases of Citibank Plaza's asset enhancement program have already been completed. Since the property was injected into the Trust, both the upper ground floor and lower ground floor lobbies have been upgraded. The upper lobby has been retrofitted with a security card access system, electronic directories and a new information counter. The lower lobby was refurbished into a trendy lounge area with food and beverages outlets conveniently located at its perimeter. To cater to the growing need for ever higher requirements for emergency power and back-up chilled water supply for server rooms and trading areas, Citibank Plaza's emergency power capacity and back-up chilled water capacity were upgraded in 2009.

With a gross floor area of almost 1.6 million sq. ft., Citibank Plaza is one of the biggest office complexes in Hong Kong.

Looking forward, the asset enhancement program at Citibank Plaza will continue so as to better position Citibank Plaza to compete for top tier banking and financial tenants. Additional upgrading work on the car park is being planned. In addition, the main chiller plants and VAV (variable air volume) ventilation units will be replaced in phases over the next three years. Enhancement at Citibank Plaza is not limited to physical assets as software also plays an important role in determining the attractiveness of an office address. In this respect, the REIT Manager has recently taken steps to improve the tenant experience at Citibank Plaza through significant upgrades in the quality of facility management and level of customer service.

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.



Leasing and Property Management Team



Ms. Violin Lam
General Manager,
Leasing

As General Manager, Ms. Lam is responsible for formulating and implementing Citibank Plaza's business and leasing strategies. She has been involved in leasing and marketing activities of Citibank Plaza since 1999 and entered the property industry in 1994.

Ms. Lam holds a Bachelor's degree in Communications from the University of Hawaii.

Mr. Fung has been working in property management under various listed property conglomerates for over 23 years, and has overseen properties in Hong Kong, Mainland China and Macau.

Mr. Fung holds a Laws Degree from University of Wolverhampton, a Bachelor of Arts in Housing Studies from City University of Hong Kong and a Master Degree in Business Administration from University of Ballarat. He is also a member of the Royal Institution of Chartered Surveyors and Chartered Institute of Legal Executives, a registered Professional Housing Manager under the HK Housing Managers Registration Board and a professional Property Manager under the Ministry of Human Resources and Social Security, PRC. Further, he is a Fellow of the Greater China Institute of Property Management and the Hong Kong Institute of Real Estate Administrators.

Mr. Lobo Fung
Assistant General
Manager, Building
Management



Mr. Marco Ho
Chief Estate
Manager

Mr. Ho has over 15 years' experience in real estate and property management industry. He has worked for several of the major Hong Kong developers in the past, in roles related to the management of various residential properties, shopping malls and Grade A commercial complexes.

Mr. Ho holds a Bachelor of Arts degree in Housing Studies and a Bachelor of Business Administration in Finance. He is certified under the Housing Managers Registration Board and a member of the HK Institute of Housing, the HK Institute of Real Estate Administrators and the Greater China Institute of Property Management.

Mr. Cheng has over 12 years' experience in real estate and property management industry.

He holds a Bachelor Degree (Honours) in Facilities Management from the University of Central Lancashire. He also holds a Professional Diploma in Housing Management from HKUSPACE and a Higher Diploma in Housing Management in Building Services Engineering from the City University of Hong Kong. He is certified under the Housing Managers Registration Board and is a member of the Hong Kong Institute of Housing, the Chartered Institute of Housing and the Greater China Institutes of Property Management.



Mr. David Cheng
Senior Manager, Estate



Ms. Carrie Choy
Senior Manager, Leasing

Ms. Choy is responsible for the leasing and marketing of Citibank Plaza and has 10 years of working experience in the real estate industry. She has worked in well-established property companies in the United Kingdom and Hong Kong, also in the areas of leasing and marketing.

Ms. Choy holds a Bachelor of Science degree in Surveying from The University of Hong Kong and an MBA from The University of Bath, UK. She is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors.



Ms. Sammy Tsoi
 Manager,
 Communications
 and PR

Ms. Tsoi has over 9 years' experience in the hospitality sector. Before joining the team at Citibank Plaza, she was employed at several international five-star hotels in Hong Kong, in roles related to front-line operations, loyalty programs, departmental training and new hotel openings. Ms Tsoi has additional experience in event planning management.

Ms. Tsoi holds a Bachelor Degree (Honours) in International Hotel Management.

Mr. Tam has worked for over 16 years in roles pertaining to building services, and mechanical and electrical engineering projects in commercial buildings.

Mr. Tam holds a Master of Science Degree in Construction and Real Estate and a Bachelor of Engineering Degree (1st Honours) in Building Services Engineering, both from the Hong Kong Polytechnic University. He is also a member of the Hong Kong Institution of Engineers, the Chartered Engineer (UK) and the Chartered Institution of Building Services Engineers.



Mr. S.H. Tam
 Manager, Technical

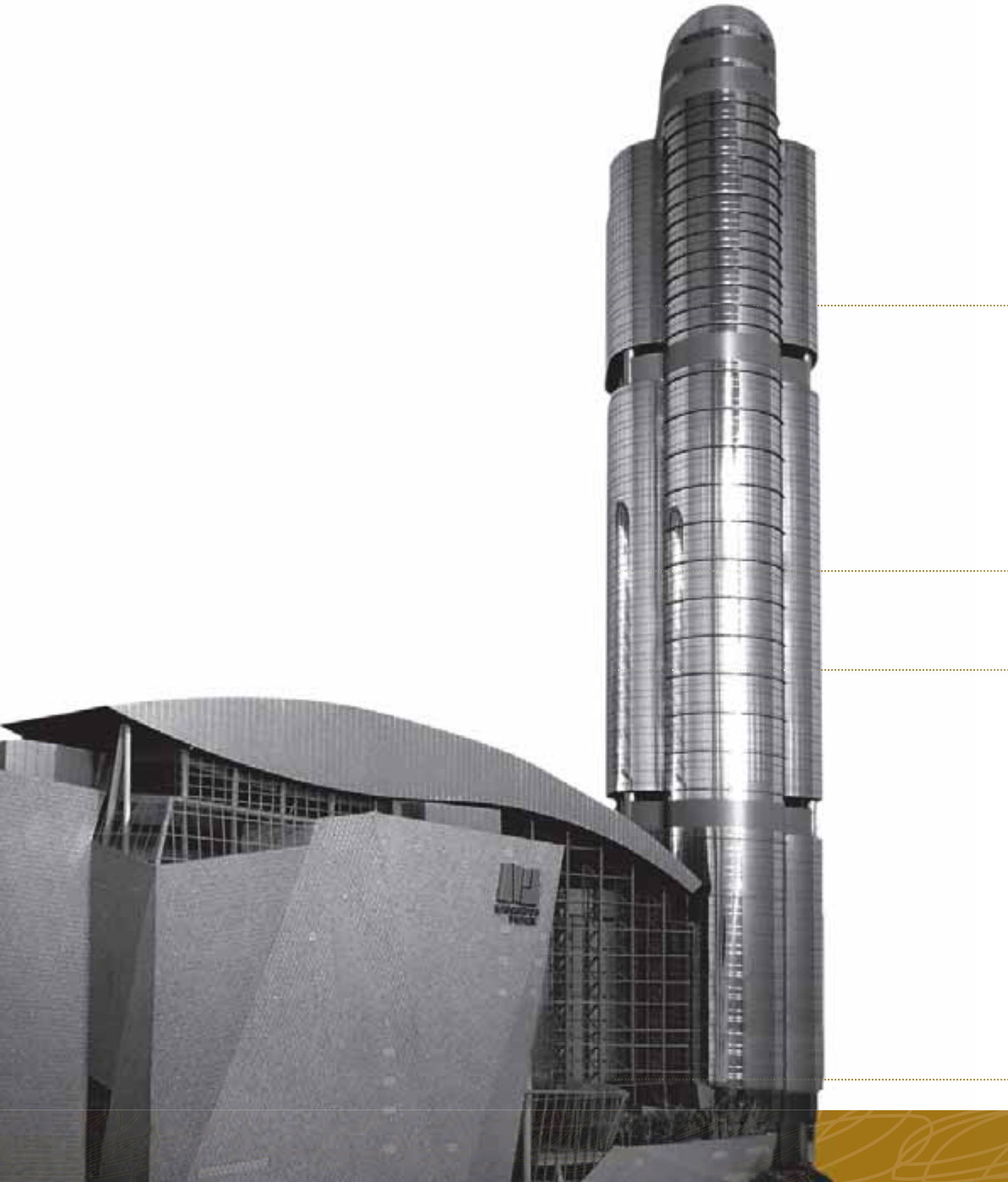


Ms. Edith Lo
 Manager, Leasing

Ms. Lo joined the Property Manager in 2008, and is responsible for the leasing and marketing of Citibank Plaza and analysis reports in relation to tenancies. She has 12 years of experience in the real estate industry.

Ms. Lo holds a Bachelor of Science (Honours) degree in Real Estate from The Hong Kong Polytechnic University. She is also a member of the Hong Kong Institute of Surveyors (General Practice Division).

No.8 Argyle Street : Langham Place





Building Statistics



HK\$18.42 billion
Assessed Value*



Built in 2004



255m Tall, Highest
Floor is 60



255 Vehicle
Basement Garage



60 Office Tenants*



318,958 sq. ft.
Lettable Retail Area



17,400 sq. ft.
Gross Office Floorplate



1,292,700 sq. ft.
Total Floor Area*



702,911 sq. ft.
Lettable Office Area*



198 Retail Tenants

* only Champion REIT's portion

Features & Amenities



15 Storey Shopping Mall



Adjoining 5-star Hotel



1200 Seat Cineplex



26 F&B Outlets



Direct MTR Access



9-Storey Glass Atrium



World's Longest Indoor
Escalators



Panoramic View
of Kowloon



Electric Vehicle
Charging Stations



Internal Loading Dock



HKIAQ Certification



OHSAS 18001 Certification



ISO 14001 Certification



70,000 sq. ft. Fitness Centre



World's Largest
Yoga Studio

Langham Place

Premium Asset, Prime Location

Langham Place is an integrated commercial development which comprises a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark and a 42-storey 5-star hotel. The project occupies two entire city blocks defined by Argyle Street, Portland Street, Shantung Street and Reclamation Street and is the largest urban renewal project in Hong Kong with a Total Floor Area of almost 2 million sq. ft. Completed in 2004, Langham Place immediately became a defining landmark of Mongkok, a prime retail and commercial district of Kowloon and an important hub for Hong Kong's major public transportation networks. Langham Place is directly linked via a pedestrian tunnel to the Mongkok Interchange of the Mass Transit Railway. The portion of Langham Place that Champion REIT owns is the entire Langham Place Mall and carpark and all but 4 floors of the Langham Place Office Tower. In percentage terms, this is equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place.

Completed in 2004, Langham Place immediately became a defining landmark of Mongkok, a prime retail and commercial district of Kowloon and an important hub for Hong Kong's major public transportation networks.

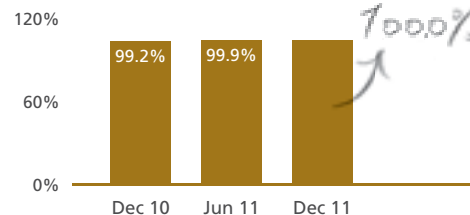
the shopping experience. Because of its immense popularity among teens and young adults, Langham Place Mall has been the venue of choice for fan and media events by local and foreign celebrities alike. The mall is also well known for its wide selection of cosmetics and has become increasingly popular with mainland tourists in recent times. Occupancy at the Mall is currently 100.0%.

Fashion Mall Redefining Mongkok

The Langham Place Mall has several unique modern architectural and design features. From the surrounding shopping district, its distinctive multi-faceted façade of Fissured Brazilian Granite is immediately recognizable. Among its internal features are a Grand Atrium enclosed by 9-storey tall glass curtains showcasing the surrounding street-level activity, the world's longest indoor escalators and a 34 Digital Sky projected onto the mall's ceiling. In upper section of the Mall, there is unique Spiral Stars Gallery featuring 12 large horoscope sculptures created by Hideki Kawabata, a renowned aluminium sculptor and illustrator. For its innovative design, the Langham Place Mall has received several awards from parties such as the International Council of Shopping Centers and the Institution of Structural Engineers Awards.

Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience young shoppers who are interested in the latest fashion trends. Each day, 200,000 to 300,000 shoppers visit the mall to look for the latest in hip and trendy apparel, accessories and cosmetics. The mall also houses over 30 food and beverage outlets, a games arcade and a cineplex to compliment

Occupancy at Langham Place Mall



Mongkok's Preferred Office Address

The Langham Place Office Tower is a modern 59 storey Grade 'A' building that is the preferred corporate address in Mongkok. It is covered in distinctive reflective blue glass and topped off with a large colour-changing dome visible from as far as Hong Kong island at night. As the building is conveniently located in a decentralized office district it attracts tenants from merchandizing and wholesale sectors. The office tower is also home to many retail and service-oriented enterprises because of its location within a busy shopping district and its synergistic connection to the Langham Place Mall.

At 255 meters, it was the tallest office building on the Kowloon Peninsula when it was launched in 2004 and offers an unobstructed panoramic view



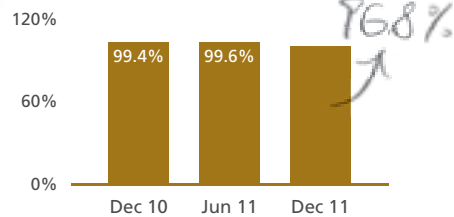
Langham Place

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.

Langham Place Mall is a 15-level, 600,000 gross sq. ft. 35 vertical mall focusing on midpriced 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.

of the surrounding area. Tenants are provided with the latest in Grade 35 A's specifications, including fiber optic wiring, raised flooring, emergency power supply and master satellite signal distribution. Being a relatively new building, there is central computerized control of the climate, fire alarm, lift and lighting systems. Occupancy at the Office Tower is currently 96.8%.

Occupancy at Langham Place Office



Leasing and Property Management Team



Ms. Vivian Leung
General Manager,
Leasing and Marketing

Ms. Leung is the team leader for the leasing, promotion, marketing and public relation activities of Langham Place. Ms. Leung has over 20 years' experience in the advertising and marketing industry. Prior to joining the Property Manager, she worked for various advertising agencies and held senior marketing and business development positions with a number of publishing and marketing companies.

Ms. Leung holds a Bachelor of Arts Degree from York University of Canada.

Mr. Chiu is responsible for the overall property management of Langham Place. He has more than more than 22 years experience in managing quality retail and commercial properties. Prior to joining the Langham Place team in 2004, he worked for various leading listed property companies in Hong Kong.

Mr. Chiu holds a Diploma in Housing Management from the University of Hong Kong, and a Bachelor of Arts Degree from the Concordia University, Montreal Canada. He is also a member of the Institute of Housing, United Kingdom and a member of the Chartered Institute of Housing, Hong Kong.



Mr. David Chiu
General Manager,
Building Management



Ms. Jean Chan
Assistant General
Manager, Leasing

Ms. Chan is responsible for the leasing and tenancy management of Langham Place and has over 16 years' experience in the property leasing field. Prior to her present job, she worked for various property developers in Hong Kong.

Ms. Chan holds a Master of Science degree in Real Estate majoring in Surveying from The University of Hong Kong and a Bachelor degree of Business Studies from The City University of Hong Kong.

Ms. Au-Yeung is responsible for marketing, promotion and public relations activities of Langham Place. She has over 19 years' experience working for various marketing and public relations firms and had held the position of editorial consultant for a number of well established publishing houses.

Ms. Au-Yeung holds a Higher Diploma in Chinese Translation and Interpretation from the Hong Kong Polytechnic University.



Ms. Makey Au-Yeung
Assistant General
Manager, Marketing



Mr. Desmond Chan
Chief Estate
Manager

Mr. Chan is responsible for building management of the shopping mall, office tower and car park at Langham Place. Prior to joining the management team of Langham Place in 2006, he worked for several of Hong Kong's leading listed property companies and has over 17 years' experience in the property management industry.

Mr. Chan holds a Bachelor's degree in Housing Management from the University of Hong Kong, Diploma in Surveying from the College of Estate Management. He is also a member of the Hong Kong Institute of Housing, the Chartered Institute of Housing (United Kingdom) and a registered professional housing manager in Housing Managers Registration Board.



Mr. Chu is responsible for overseeing the technical management of Langham Place. With over 16 years of practical work experience in the engineering industry since 1995, Mr. Chu has worked for several of Hong Kong's leading listed property companies with investments in both commercial and residential buildings.



Mr. Timothy Chu
Manager, Technical

Mr. Chu holds a Master of Science degree in Building Services Engineering from the University of Hong Kong and a Bachelor of Engineering (Honors) degree in Building Services Engineering from the City University of Hong Kong. He is a Registered Professional Engineer in the building services discipline with the Hong Kong Engineers Registration Board and is a Chartered Engineer of the U.K. Engineering Council. Mr. Chu is also a corporate member of The Hong Kong Institution of Engineers & The Chartered Institution of Building Services Engineers.

Valuation Report

9 February 2012

Eagle Asset Management (CP) Limited
Suite 3008, 30/F, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
(the Manager for Champion Real Estate Investment Trust “Champion REIT”)

HSBC Institutional Trust Services (Asia) Limited
17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road, Kowloon
Hong Kong
(the Trustee for Champion REIT)

Dear Sirs

Various Portions of Citibank Plaza, 3 Garden Road, Central, Hong Kong (“the Property”)

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2011 (referred to as “the Valuation Date”) for annual reporting purposes.

Basis of Valuation

Our valuation is our opinion of the market value of the Property which we would define as intended to mean ‘the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion’.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts published by the Securities and Futures Commission and The HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the Property subject to its existing tenancies. In undertaking our valuation of the Property, Income Capitalization and Direct Comparison approaches are adopted. Income Capitalization approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the Property’s type of use, building age and condition. In the course of our valuation, we have assumed that no significant capital expenditure by the owner of the Property will be required in the foreseeable future. Apart from Income Capitalization approach, Direct Comparison approach is adopted for cross-referencing purpose.

Income capitalization

The existing net rental income, i.e. rent exclusive of rates, management fees, air-conditioning charges and other tenants' outgoings, of all lettable space of a property, is capitalized in respect of the unexpired term of each contractual tenancy. Upon reversion, i.e. the expiry of the existing tenancy, each of the leased areas is assumed to be let at the market rent as at the Valuation Date this in turn is capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of a property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred. The capitalization rate adopted is made by reference to the yield achieved in analysed market sales of retail space/office spaces and our knowledge of the market. This expected rate of return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like. Our adopted capitalization rate for the retail and office accommodation is 4.5% and 4.0% respectively.

Direct comparison

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

As there were limited en-bloc/bulk transactions for comparison in our valuation, we have also made reference to transactions of strata-titled properties in the vicinity. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Capitalization Approach.

Limiting Conditions

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, incomes, site and floor areas and all other relevant matters. We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in this valuation letter are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have carried out sample land search to the Property valued. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, title defects and outgoing of an onerous nature which could affect its value.

We have inspected the exterior and, where available, the interior of Property. However, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

Valuation Report

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Tony W M Wan
MRICS MHKIS RPS(GP)
Director, Head of General Valuation

* Mr Tony W M Wan, MRICS, MHKIS, RPS(GP), has been a qualified valuer since 1998 and has about 16 years' experience in the valuation of properties in Hong Kong.

VALUATION

Property

Various Portions in Citibank Plaza, 3 Garden Road, Central, Hong Kong (See Note 1)

1,389,185/1,650,000th undivided parts or shares of and in Inland Lot No. 8888.

Description and tenure

Citibank Plaza is an office/commercial/carparking development situated in Central district. It comprises one 47-storey office block, known as Citibank Tower, and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.

The Property comprises the whole of the retail accommodation and the majority of the offices of the development. The total floor area and the gross rentable area of the retail and office portions of the Property are approximately as follows:–

Use	Total Floor Area	
	sq m	sq ft
Retail	5,362.41	57,721
Office	139,498.05	1,501,557
Total	144,860.46	1,559,278

Use	Gross Rentable Area	
	sq m	sq ft
Retail	3,956.99	42,593
Office	108,722.50	1,170,289
Total	112,679.49	1,212,882

The Property also includes 58 private car parking spaces and a fee paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.

Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No. 12063 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Particulars of occupancy

Except Shop No. 5 with an area of approximately 382 sq ft which was together let under a single tenancy with office units Portion A of 40/F and 43/F to 50/F of Citibank Tower, the retail portion of the Property was let under six tenancies for various terms with the latest expiry date in December 2013, yielding a total monthly rental income of approximately HK\$1.24 million exclusive of rates, management and air-conditioning charges. The retail tenancies, except one, were subject to turnover rents. The average turnover rent receivable during the period from January 2011 to November 2011 was approximately HK\$99,000.

The office portion of the Property (including Shop No. 5) was let under various tenancies for various terms with the latest expiry date in April 2017, yielding a total monthly rental income of approximately HK\$93.33 million exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.

Valuation Report

The occupancy rates of the office and retail portions were approximately 90.0% and 100% respectively.

A total of 500 carparks and 50 motorcycle parking spaces were being operated as a fee-paying public carpark and the remaining 58 carparks were occupied as private carparks and let under various licences. The total average monthly gross income receivable during the period from December 2010 to November 2011 was approximately HK\$943,000 inclusive of rates and management fees.

Various spaces for cellular phone systems were let under four licences for various terms with the latest expiry date in August 2014, yielding a total monthly licence fee of approximately HK\$69,000 exclusive of rates and management fees.

A satellite phone antenna, various advertising spaces and the naming rights of Citibank Tower and ICBC Tower were let under various licences with the latest expiry date in June 2016, yielding a total monthly licence fee of approximately HK\$1,305,000 exclusive of rates and management fees.

Market value in existing state as at 31 December 2011

HK\$36,437,800,000

Estimated Net Property Yield

2.5%

Notes:

(1) The Property comprises the following portions:-

Office & Health Club (ICBC Tower)	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).
Office (Citibank Tower)	Various portions of Citibank Tower including portion on 3rd Floor, 7th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors, 25th to 30th Floors, Portions A and B on 31st Floor, 32nd to 34th Floors, 36th to 39th Floors, Portions A and B on 40th Floor and 41st to 50th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).
Retail Shop	Restaurant and Shops 1 to 5 on Lower Ground Floor of the development.
Car Parking Space	Private car parking space nos. 5 to 33, 39 to 51, 118 to 131 and 166 to 167 on Basement 2 and public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the development.

(2) The registered owners of the respective portions of the Property as at the Valuation Date are set out below:–

Registered Owner	Portion of the Property
Shine Hill Development Limited	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).
	Various portions of Citibank Tower, including portion on 3rd Floor, 7th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 28th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).
	Restaurant and Shops 1 to 4 on Lower Ground Floor of the development.
	Private car parking space nos. 5 to 20, 26 to 33, 45 to 51, 121 to 122 and 166 and 167 on Basement 2 and public carpark comprising 500 private car parking spaces and 50 motor cycle parking spaces within the development.
	All those Reserved Areas as defined in the Deed of Mutual Covenant and Management Agreement in respect of Citibank Plaza registered in the Land Registry by Memorial No. UB5511011 (being those parts of the buildings (not specifically assigned for the exclusive use of any Owner and not being part of the common areas) reserved for the exclusive use and occupation of Shine Hill (including without limitation to the generality of the foregoing, the Main Roofs, the flat roof, the External Walls, the loading/unloading areas on the First Basement and three (3) flag poles at or above Level +14.668 facing the transverse road).
Maple Court Limited	29th to 30th Floors and Portion B on 31st Floor of Citibank Tower
	Private car parking space nos. 21 to 22 on Basement 2 of the development.
Panhy Limited	Portion A on 31st Floor and 32nd to 33rd Floors of Citibank Tower.
	Private car parking space nos. 42 to 44 on Basement 2 of the development.
Well Charm Development Limited	38th Floor of Citibank Tower.
CP (Portion A) Limited	Portion A on 40th Floor, 41st to 50th Floors of Citibank Tower.
	Shop 5 on Lower Ground Floor of the development.
	Private car parking space nos. 118 to 120 and 123 to 131 on Basement 2 of the development.
CP (Portion B) Limited	39th Floor and Portion B on 40th Floor of Citibank Tower.
	Private parking space nos. 23 to 25 on Basement 2 of the development.
Elegant Wealth Limited	34th, 36th and 37th Floors of Citibank Tower.
	Private parking space nos. 39 to 41 on Basement 2 of the development.

(3) The Property, *inter alia*, was subject to the following encumbrances as registered in the Land Registry as at the Valuation Date:–

- (i) The portion of the Property held by Shine Hill Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HK\$16,117,000,000 dated 26 April 2006.
- (ii) The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HK\$860,000,000 dated 26 April 2006.
- (iii) The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HK\$885,000,000 dated 26 April 2006.
- (iv) The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HK\$363,000,000 dated 26 April 2006.
- (v) The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HK\$3,841,000,000 dated 26 April 2006.
- (vi) The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HK\$604,000,000 dated 26 April 2006.
- (vii) The portions of the Property held by Shine Hill Development Limited and CP (Portion A) Limited are subject to a legal charge and debenture in favour of Hang Seng Bank Limited.

Valuation Report

- (4) The Property lay within an area zoned "Commercial" under the draft Central District (HPA 4) Outline Zoning Plan No. S/H4/13 exhibited on 16 July 2010 as at the Valuation Date.
- (5) The rentals reported herein are the total of the face rentals without taking into account of any rent free periods or the turnover rents received, if any.
- (6) The notional breakdown market values in respect of different portions of the Property is set out below:-

Use	Market Value as at 31 December 2011
Retail	HK\$378,800,000
Office	HK\$35,482,000,000
Carpark	HK\$277,000,000
Miscellaneous	HK\$300,000,000
Total	HK\$36,437,800,000

- (7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (including Shop No. 5 but excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2011 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	1,053,747	90.0
Vacant	116,924	10.0
Total	1,170,671	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	105,436	10.0	7,854,982	8.4	2	2.4
2005	2,325	0.2	173,213	0.2	1	1.2
2007	22,465	2.1	1,867,643	2.0	3	3.5
2008	15,729	1.5	1,998,252	2.1	2	2.3
2009	27,724	2.6	2,662,670	2.9	5	5.9
2010	416,603	39.6	31,505,462	33.8	41	48.2
2011	463,465	44.0	47,267,459	50.6	31	36.5
Total	1,053,747	100	93,329,680	100	85	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2011	17,744	1.7	1,398,172	1.5	2	2.3
2012	113,652	10.8	11,105,476	11.9	24	28.2
2013	106,575	10.1	8,784,235	9.4	25	29.4
2014	453,908	43.1	43,529,400	46.6	23	27.1
2015	33,103	3.1	3,412,312	3.7	2	2.4
2016	244,334	23.2	17,244,616	18.5	5	5.9
2017	84,431	8.0	7,855,470	8.4	4	4.7
Total	1,053,747	100	93,329,680	100	85	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	19,151	1.8	2,467,680	2.6	3	3.5
2	58,531	5.6	5,035,621	5.4	19	22.4
3	476,218	45.2	46,456,772	49.8	45	52.9
4	43,047	4.1	4,163,084	4.5	3	3.5
5	9,949	0.9	925,257	1.0	1	1.2
6	339,090	32.2	26,253,072	28.1	11	12.9
9	2,325	0.2	173,213	0.2	1	1.2
10	105,436	10.0	7,854,982	8.4	2	2.4
Total	1,053,747	100	93,329,680	100	85	100

Note: The above tenancy profile includes a shop with area 382 sq ft which was let under a single tenancy with office units Portion A of 40/F and 43/F to 50/F of Citibank Tower but excludes three renewal tenancies for terms of 17 months to two years commencing in between 1 January 2012 and 16 June 2012 and a pre-committed new letting for term of three years commencing from 1 February 2012.

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding Shop No. 5 and the licensed miscellaneous premises) as at 31 December 2011 is set out below:-

Type	Gross Rentable Area (sq ft)	% of total
Leased	42,211	100.0
Vacant	0	0.0
Total	42,211	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2008	1,482	3.5	148,200	11.9	1	16.7
2010	40,729	96.5	1,096,600	88.1	5	83.3
Total	42,211	100	1,244,800	100	6	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2012	1,482	3.5	148,200	11.9	1	16.7
2013	40,729	96.5	1,096,600	88.1	5	83.3
Total	42,211	100	1,244,800	100	6	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
3	40,729	96.5	1,096,600	88.1	5	83.3
4	1,482	3.5	148,200	11.9	1	16.7
Total	42,211	100	1,244,800	100	6	100

Note: The above tenancy profile excludes a shop with area 382 sq ft which was let under a single tenancy with office units Portion A of 40/F and 43/F to 50/F of Citibank Tower.

Valuation Report

Office Market Overview

Stock

According to the Rating and Valuation Department (“RVD”), by the end of 2010 there was around 17,307,000 sq ft of Grade-A office space (on Internal Floor Area “IFA” basis) available in Central and that accounted for approximately 23.8% of the total Grade-A office stock in the territory.

Supply

A number of office buildings were completed in Central in 2011 and that include:

- (i) 50 Connaught Road Central having a total Gross Floor Area (“GFA”) of about 172,000 sq ft;
- (ii) Prosperity Tower on 39 Des Voeux Road Central having a total GFA of about 140,000 sq ft; and
- (iii) LHT Tower on 31 Queen’s Road Central having a total GFA of about 178,000 sq ft.

The forecasted supply for 2012 includes:

- (i) The redevelopment of Ritz Carton Hotel providing a total GFA of about 225,000 sq ft.

In 2013, the forecasted new supply is:

- (i) 31-37 Des Voeux Road Central and 22-22A Des Voeux Road Central, both together providing a total GFA of about 169,000 sq ft.

Vacancy

According to our in-house research, the vacancy rate of Central Grade-A office hovered at an extremely low level of around 1% in the last quarter of 2007 till August 2008 when the global economic downturn took impact. In the following ten months, corporate downsizing and relocations out from Central had gradually pushed the vacancy rate up to 3.9%. It then started to edge down in July 2009 following a recovery in office leasing, and the vacancy level returned to a level of about 1.9% by May 2011. In fear of double-dip recession in the US economy as well as volatility in the global stock market, the vacancy rate started to rise in June 2011 and gradually edged up to a level of about 3% in November 2011.

Rental Trends

Grade-A office rentals in Central had gone through a 5-year uptrend since recovering from the 2003 SARS outbreak. It however began to fall in 3rd quarter 2008 as a result of the global financial tsunami. It had dropped for 13 months in a row between the Septembers of 2008 and 2009, losing around 30% compared with the peak in 2008. Yet, it began to rebound in 4th quarter 2009. According to the Monthly Supplement January 2012 of the rental index for Grade-A office in core districts in November 2011 (provisional figure) in the Hong Kong Property Review published by the RVD, the rental level of Grade-A office in Sheung Wan/Central had increased by approximately 21.2% since January 2011 and was about 4.9% above the peak of August 2008.

Price Trends

Prices of Central Grade-A strata-titled offices surged since 2009. According to the Monthly Supplement January 2012 of the Price Index for Grade-A office in core districts in November 2011 (provisional figure) in the Hong Kong Property Review published by RVD, the price level of Grade-A office in core districts in November 2011 had surged by 7.8% since January 2011 and was 22% above the peak in mid-2008.

Outlook

The office sales market had cooled down in the latter half of 2011 following the tightening of credit conditions as well as the volatile global markets. Office demand is expected to weaken amid slow business expansion and limited new office set-ups. About 120 sales transactions were recorded in October 2011, representing a drop of approximately 40% from the previous month of September and at the lowest level since early 2009.

Looking forward, office demand from the financial institutions that usually prefer core districts is likely to remain low amid the Eurozone debt crisis and an uncertain economy. Meanwhile, local firms are also expected to slow their expansion plans amid a slow economy. Between now and the first quarter of 2012, a number of multinational corporations including banks, insurance and professional firms are likely to decentralize in order to cut costs. This would release a considerable amount of office space in the core areas and the vacancy rate in Central is expected to increase. We anticipate the Grade-A office rent and sales price in the core areas seeing a mild correction in the short term.

Valuation Report

9 February 2012

Eagle Asset Management (CP) Limited
Suite 3008, 30/F, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
(the Manager for Champion Real Estate Investment Trust "Champion REIT")

HSBC Institutional Trust Services (Asia) Limited
17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road, Kowloon
Hong Kong
(the Trustee for Champion REIT)

Dear Sirs

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

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2011 (referred to as "the Valuation Date") for annual reporting purposes.

Basis of Valuation

Our valuation is our opinion of the market value of the Property which we would define as intended to mean 'the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong and The HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the Property subject to its existing tenancies. In undertaking our valuation of the Property, Income Capitalization and Direct Comparison approaches are adopted. Income Capitalization approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the Property's type of use, building age and condition. In the course of our valuation, we have assumed that no significant capital expenditure by the owner of the Property will be required in the foreseeable future. Apart from Income Capitalization approach, Direct Comparison approach is adopted for cross-referencing purpose.

Income capitalization

The existing net rental income, i.e. rent exclusive of rates, management fees, air-conditioning charges and other tenants' outgoings, of all lettable space of a property, is capitalized in respect of the unexpired term of each contractual tenancy. Upon reversion, i.e. the expiry of the existing tenancy, each of the leased areas is assumed to be let at the market rent as at the Valuation Date this in turn is capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of a property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred. The capitalization rate adopted is made by reference to the yield achieved in analysed market sales of retail space/office spaces and our knowledge of the market. This expected rate of return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like. Our adopted capitalization rate for the retail and office accommodation is 4.1% and 4.2% respectively.

Direct comparison

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

As there were limited en-bloc/bulk transactions for comparison in our valuation, we have also made reference to transactions of strata-titled properties in the vicinity. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Capitalization Approach.

Limiting Conditions

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, incomes, site and floor areas and all other relevant matters. We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in this valuation letter are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

Valuation Report

We have carried out land search to the Property valued. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, title defects and outgoings of an onerous nature which could affect its value.

We have inspected the exterior and, where available, the interior of Property. However, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Tony W M Wan
MRICS MHKIS RPS(GP)
Director, Head of General Valuation

* Mr Tony W M Wan, MRICS, MHKIS, RPS(GP), has been a qualified valuer since 1998 and has about 16 years' experience in the valuation of properties in Hong Kong.

Valuation

Property

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

1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No. 11099.

Description and tenure

Langham Place is a retail/office/hotel/carpark complex erected on two rectangular sites, separated by Shanghai Street, having a total registered site area of about 11,976 sq m (128,910 sq ft). The development was completed in 2004.

Currently standing on the eastern site is a 59-level tower (comprising 46 levels of office, four levels of shop, five mechanical floors, two refuge floors and two roof floors) and a 15-storey retail building (including two basement levels) erected over three levels of basement carpark.

Currently standing on the western site is a hotel built over two levels of basement carpark. In addition, government, institution and community facilities as well as public open space are provided on the site.

Two covered footbridges and an underground vehicle tunnel across Shanghai Street are constructed to interconnect the development between the two separate sites.

The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq m (702,911 sq ft).

The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq m (589,844 sq ft) and a Gross Rentable Area of approximately 29,631.92 sq m (318,958 sq ft).

The Property also comprises a carpark at the basement levels, 8 Argyle Street, and 555 and 557 Shanghai Street accommodating a total of 250 car parking spaces.

Kowloon Inland Lot No. 11099 is held from the Government under Conditions of Exchange No. UB12557 for a term from 18 February 2000 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Particulars of occupancy

The office portion of the Property was let under various tenancies mostly for terms of three years with the latest expiry date in March 2016 yielding a total monthly rental of approximately HK\$20.08 million exclusive of rates, management fees and air-conditioning charges. A number of tenancies contain options to renew for further terms at the then prevailing market rents.

The retail portion of the Property was let under various tenancies mostly for terms of three years with the latest expiry date in October 2015 yielding a total monthly basic rent of approximately HK\$32.79 million exclusive of rates, management fees and air-conditioning charges. Most of the tenancies are subject to turnover rents. The average monthly turnover rent receivable during the period from January 2011 to November 2011 was about HK\$4,575,000.

Valuation Report

The occupancy rates of the office and retail portions were approximately 96.8% and 99.98% respectively.

The carpark was operated as a fee-paying public carpark let on monthly and hourly bases. The average monthly gross income receivable during the period from November 2010 to December 2011 was approximately HK\$1,520,000.

Miscellaneous income was generated from lightboxes, signage spaces and other miscellaneous items which were let under various licences with the latest expiry in October 2015 yielding a total monthly licence fee of approximately HK\$784,000.

Market value in existing state as at 31 December 2011

HK\$18,419,500,000

Estimated Net Property Yield

3.9%

Notes:

- (1) The registered owner of the Property was Benington Limited as at the Valuation Date.
- (2) The Property also comprises the Reserved Area defined in the Deed of Mutual Covenant and Management Agreement dated 27 June 2005 as those parts of the Development not specifically included in the Government Accommodation or any Component, the Development CAF or HB/Retail CAF (all terms as defined in the said Deed of Mutual Covenant and Management Agreement) and reserved for the exclusive use and enjoyment of Benington Limited.
- (3) The Property, *inter alia*, was subject to the following encumbrances as registered in the Land Registry as at the Valuation Date:-
 - (i) Legal Charge in favour of Hang Seng Bank Limited; and
 - (ii) Legal Charge in favour of Citibank, N.A.
- (4) For the office portion of the Property, the Gross Rentable Area is equal to the Total Floor Area.
- (5) The Property lay within an area zoned "Commercial (2)" under the draft Mong Kok (KPA 3) Outline Zoning Plan No S/K3/29 exhibited on 12 August 2011 as at the Valuation Date.
- (6) The notional breakdown market values in respect of different portion of the Property is set out below:

Use	Market Value as at 31 December 2011
Retail	HK\$11,590,000,000
Office	HK\$6,494,000,000
Carpark	HK\$217,500,000
Miscellaneous	HK\$118,000,000
Total	HK\$18,419,500,000

- (7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2011 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	680,141	96.8
Vacant	22,770	3.2
Total	702,911	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2007	13,531	2.0	410,520	2.0	3	4.9
2008	33,159	4.8	1,206,496	6.0	3	5.0
2009	2,771	0.4	72,046	0.4	1	1.7
2010	379,931	55.9	11,212,602	55.9	29	48.4
2011	250,749	36.9	7,175,886	35.7	24	40.0
Total	680,141	100	20,077,550	100	60	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2012	70,361	10.3	2,074,544	10.3	9	15.0
2013	332,921	49.0	10,231,856	51.0	30	50.0
2014	200,124	29.4	5,573,488	27.8	18	30.0
2016	76,735	11.3	2,197,662	10.9	3	5.0
Total	680,141	100	20,077,550	100	60	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	26,739	3.9	882,387	4.4	1	1.7
2	37,478	5.5	1,075,279	5.4	5	8.3
3	492,499	72.4	14,305,206	71.2	45	75.0
5	46,690	6.9	1,617,016	8.1	6	10.0
6	76,735	11.3	2,197,662	10.9	3	5.0
Total	680,141	100	20,077,550	100	60	100

Note: The above tenancy profile of office portion excludes three renewal tenancies for terms of one to three years commencing in between 17 January 2012 and 15 April 2012 and one pre-committed new letting for term of three years commencing on 1 February 2012.

Valuation Report

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding the licensed miscellaneous premises) as at 31 December 2011 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	318,904	99.98
Vacant	54	0.02
Total	318,958	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	44,740	14.0	684,000	2.1	1	0.5
2007	29,107	9.1	2,184,297	6.7	4	2.0
2008	23,796	7.5	2,141,225	6.5	11	5.4
2009	39,714	12.5	3,882,551	11.8	26	12.7
2010	133,228	41.8	18,059,671	55.1	104	50.6
2011	48,319	15.1	5,834,177	17.8	59	28.8
Total	318,904	100	32,785,921	100	205	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of Total
2012	83,068	26.1	8,811,191	26.9	71	34.6
2013	105,831	33.2	14,456,752	44.1	91	44.4
2014	101,856	31.9	7,163,773	21.8	37	18.1
2015	28,149	8.8	2,354,205	7.2	6	2.9
Total	318,904	100	32,785,921	100	205	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	Monthly Basic Rental (HK\$)	% of total	No. of Tenancy	% of total
1	89	0.0 #	20,000	0.1	1	0.5
2	28,794	9.0	3,456,538	10.5	59	28.8
3	143,755	45.1	20,483,601	62.5	121	59.0
4	42,509	13.4	3,682,580	11.2	13	6.3
5	45,041	14.1	3,683,265	11.2	7	3.4
6	13,976	4.4	775,937	2.4	3	1.5
10	44,740	14.0	684,000	2.1	1	0.5
Total	318,904	100	32,785,921	100	205	100

Note: The above tenancy profile of retail portion excludes 9 pre-committed new lettings for terms of 15 months to four years commencing in between 21 February 2012 and 5 December 2012 and 11 renewal tenancies for terms of two to three years commencing in between 1 February 2012 and 16 July 2012.

Approximately 0.028%, rounded to 0%.

Office Market Overview

Stock

According to the Rating and Valuation Department (“RVD”), there was around 26,237,000 sq ft of Grade-A office stock (on Internal Floor Area “IFA” basis) in Kowloon at the end of 2010, accounting for 36.1% of the total stock in the territory. Some 47.8% of that space (i.e. 12,555,000 sq ft IFA) was located in Yau Tsim Mong.

Mongkok is an old established and densely populated mixed-users area. Most of the buildings are relatively old and out-mode. The area was lack of Grade-A office building until 1997 when the 353,000 sq ft Grand Century Place was completed. By 2004, another Grade-A office block, the 497,000 sq-ft Langham Place Office Tower, was also in completion.

Supply

As land supply of Grade-A office on Hong Kong Island is limited, developers turn to Kowloon for better opportunities. In 2011, new office building completions in Kowloon recorded some 928,000 sq ft (GFA) of which 470,000 sq ft was located in Kwun Tong, 109,000 sq ft in Cheung Sha Wan and about 349,000 sq ft in Kowloon Bay, according to our in-house research.

New office supply in Kowloon in the coming few years is forecasted as follows:

Year	District	Sq ft (GFA)
2012	Kwun Tong	751,000
2013	No new supply in Kowloon	
2014	Kwun Tong	982,000
2015	Tsimshatsui	500,000
	Kwun Tong	457,000

There is no planned Grade-A office project in Mongkok in the foreseeable near future, an absence of new supply since 2005.

Vacancy

According to our in-house research, vacancy rate of Grade-A offices in Tsim Sha Tsui reached the historical low at around 2% in July 2008. Since the global economic downturn taken place in August, vacancies kept on rising and gradually touching 6% by November 2009. One of the major reasons for such growth is the substantial company relocations to Kowloon East, as attracted by the low rentals and new completions there. Yet by April 2010, vacancy rate dropped to 4.7%. It then rose to 5.9% in May and fell back gradually to 1.5% in November 2011.

Rental Trends

According to the January 2012 Supplement of the Hong Kong Property Review compiled by RVD, the rental level of Grade-A office in November 2011 (provisional figure) in all districts had increased by about 16.9% since January 2011.

Price Trends

According to the January 2012 Supplement of the Hong Kong Property Review compiled by RVD, the price index for Grade-A office in November 2011 (provisional figure) in all districts had increased by about 11.3% since January 2011.

Valuation Report

Outlook

Mongkok is a unique business district where office tenants are normally customer service centres, medical centres and back offices. Demand for Mongkok Grade-A offices is comparatively stable with small fluctuations along the economic cycle. However, in the absence of new supply but a steady demand, occupancy levels and rentals in Mongkok are expected to have a slight increment in 2012.

Retail Market Overview

Stock

Yau Tsim Mong is renowned for retails and entertainments, attracting many locals and tourists. There are a variety of large shopping centres including Harbour City, Langham Place, iSquare, The One and K11 Art Mall, etc. According to RVD, the total private commercial stock in the territory amounted to approximately 115,651,000 sq ft (on Internal Floor Area "IFA" basis) in 2010, of which 41.1%, 29.4% and 29.5% were located in Kowloon, Hong Kong Island and the New Territories respectively.

Mongkok is a local retail hub characterized by a vast mix of local trades and retailers as well as clusters of theme streets. It is popular amongst the youths of Hong Kong as well as tourists. There are also up-scaled shopping malls in Mongkok including Langham Place and Grand Century Place.

Supply

According to RVD's statistic, there was approximately 695,000 sq ft of new completions in 2010 in the territory, about 23% less than that in 2009. Around 65.6% of them was situated in Kowloon in which Yau Tsim Mong collectively took up 57.1%. The forecasted supplies for 2011 and 2012 were around 612,000 sq ft and 1,110,000 sq ft respectively, both in IFAs.

Vacancy

According to the RVD's statistic, the overall vacancy rate of retail premises in the territory and Yau Tsim Mong were about 7.9% and 8.5% respectively in 2010.

Rental Trend

The Hong Kong Tourism Board announced that the number of visitor arrivals to Hong Kong reached an all-time high in 2011 at 41,921,310, representing an increase of 16.4% year-on-year. The private retail rental index in November 2011 (provisional figure) marked an increase of about 10.3% from January 2011 to November 2011, according to the January 2012 Supplement of the Hong Kong Property Review compiled by RVD.

Price Trend

The influx of Mainland visitors has changed the landscape of the retail market in Hong Kong. Retail prices surged reflecting the optimistic view of investors. Private retail price in accordance with the RVD had continually increased from June 2009 to October 2011. The price index for November 2011 (provisional figure) marked an increase of about 14.2% from January 2011 to November 2011, according to the January 2012 Supplement of the Hong Kong Property Review compiled by RVD.

Outlook

The increase of Mainland visitors has led to a rise in retail sales. According to the Census and Statistics Department, Hong Kong's retail sales value had increased for the 25th consecutive month in September 2011, rising 24.1% year-on-year to HK\$31.2 billion. In the first nine months of 2011, the total retail sales value grew 25.4% compared with the same period of the previous year.

Looking forward, retail properties will continue to outperform other property sectors in 2012. Global retailers are set to continue expanding into major shopping centres in both core and non-core areas. Retail rents are expected to continue their uptrend in 2012, albeit at a slower pace amid the risks of worsening global economy.

Trustee's Report

To the Unitholders of Champion Real Estate Investment Trust

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

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009 and the fourth supplemental deed dated 23 July 2010 for the financial year ended 31 December 2011.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 20 February 2012

Corporate Governance Report

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.

Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the REIT Manager and Champion REIT throughout the year ended 31 December 2011.

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 Trust ("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. The Responsible Officers have completed the Continuous Professional Training as required by the SFO for each calendar year.

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.

Roles of the Trustee and the REIT Manager

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, 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.

Functions of the Board of Directors of the REIT Manager and Delegation

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.

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors. On 5 May 2011, Mr. Ip Yuk Keung, Albert was appointed as an Independent Non-executive Director. Mr. Ip fulfills the independence guidelines set out in Rule 3.13 of the Listing Rules. On 14 June 2011, Mr. David G. Eldon retired as an Independent Non-executive Director.

Key Principles in Determination of the Composition of the Board

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a Non-executive Director of the REIT Manager;
- the Board should comprise Directors with a broad range of commercial experience including expertise in funds management and the property industry; and
- at least one-third, and a minimum of three members, of the Board should be Independent Non-executive Directors.

The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 3 Independent Non-executive Directors). The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. The composition of the Board of the REIT Manager during the year is set out below:

Non-executive Directors

Lo Ka Shui (*Chairman*)
Cheng Wai Chee, Christopher
Ho Shut Kan
Lo Kai Shui

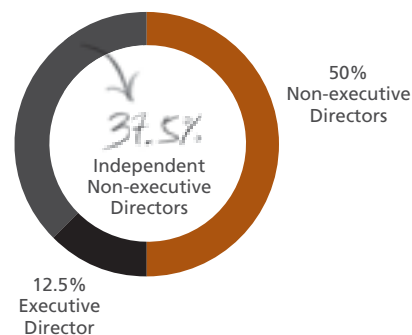
Executive Director

Lee Ching Ming, Adrian (*Chief Executive Officer*)

Independent Non-executive Directors

Cha Mou Sing, Payson
Shek Lai Him, Abraham
Ip Yuk Keung, Albert (appointed on 5 May 2011)
David G. Eldon (retired on 14 June 2011)

Board Composition



All Directors shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election in accordance with the articles of association of the REIT Manager. The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Lo Ka Shui who is a Non-executive Director. The Chief Executive Officer is Mr. Lee Ching Ming, Adrian who is an Executive Director.

Proceedings of the Board

- Full Board meetings will be held at least quarterly, and more often, if necessary.
- At least 14 days' formal notice of a regular Board meeting will be given by the Company Secretary to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board meeting. For special Board meeting, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting or Committee meeting.
- The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.
- If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- Draft minutes is circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting and all Board and Board Committee minutes or resolutions are available for Directors' inspection.

The Board Members may obtain independent professional advice for the purposes of discharging their duties and responsibilities. Such advice may be obtained at the REIT Manager's expense upon reasonable request. The Company Secretary of the REIT Manager is responsible to make all necessary arrangement.

Independence of Independent Non-executive Directors

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

Delegation

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

Audit Committee

The REIT Manager established an Audit Committee and adopted the terms of reference on 28 March 2006. The written terms of reference of the Audit Committee are available upon request. The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. During the year, formal meetings between the Chairman of the Audit Committee and the External Auditor and the Internal Auditor respectively were held without the presence of the management of the REIT Manager.

The Audit Committee's Principal Responsibilities

The principal duties of the Audit Committee are as follows:

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

On 5 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. Mr. David G. Eldon retired as an Independent Non-executive Director on 14 June 2011. At the 2011 Second Regular Audit Committee Meeting held on 11 August 2011, Mr. Ip Yuk Keung, Albert was elected to fill the Audit Committee Chairman vacancy.

The Audit Committee currently comprises 2 Independent Non-executive Directors (namely, Mr. Shek Lai Him, Abraham and Mr. Ip Yuk Keung, Albert) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Ip Yuk Keung, Albert is the Chairman of the Audit Committee. The members of the Audit Committee are appointed by the Board of Directors from among the Non-executive Directors of the REIT Manager and a majority of the members of the Audit Committee are required to be Independent Non-executive Directors.

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

Audit Committee Meetings held in 2011

During the financial year ended 31 December 2011, two physical meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed the Reports of the Internal Auditor;
- reviewed the audited financial statements for the year ended 31 December 2010 and the unaudited financial statements for the six months ended 30 June 2011;
- reviewed the Reports from the External Auditor;
- reviewed the legal and regulatory compliance matters for the year ended 31 December 2010 and for the six months ended 30 June 2011, which include, among others, the Reports on Connected Party Transactions;
- reviewed and approved the 2011 Interim Report and 2011 Interim Results Announcement for the six-month period ended 30 June 2011 and 2010 Annual Report and Final Results Announcement for the year ended 31 December 2010;
- reviewed and approved the annual budget/forecasts and annual business plan prepared by the REIT Manager for Champion REIT; and
- reviewed and made recommendation to the Board in relation to the appointment of Mr. Ip Yuk Keung, Albert as an Independent Non-executive Director and a member of Audit Committee of the REIT Manager and approved the election of the Chairman of the Audit Committee.

Disclosures Committee

The REIT Manager established a Disclosures Committee and adopted the terms of reference on 28 March 2006. The written terms of reference of the Disclosures Committee are available upon request. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements.

Disclosures Committee's Principal Responsibilities

The Disclosures Committee works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete. The Disclosures Committee's responsibilities also include:

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

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

Disclosures Committee Meetings held in 2011

During the financial year ended 31 December 2011, two physical meetings of the Disclosures Committee were held and 4 written resolutions were signed. The following is a summary of the major work done of the Disclosures Committee during the year 2011:

- reviewed and approved the 2011 Interim Report of Champion REIT for the six-month period ended 30 June 2011 and announcements in relation to the 2011 interim results, the payment of Manager's fee in cash and units and the interim distribution;
- reviewed and approved the 2010 Annual Report and announcement in relation to the final results for the year ended 31 December 2010, the payment of Manager's fee and the final distribution; and
- reviewed and approved the announcements in relation to (i) unusual trading volume of Champion REIT, (ii) appointment of Mr. Ip Yuk Keung, Albert as an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager, (iii) retirement of Mr. David G. Eldon as an Independent Non-executive Director and the Chairman of Audit Committee of the REIT Manager; and (iv) payment received under rental stabilization arrangement.

Meeting Attendance

The attendance of individual Directors and committee members in 2011 is set out in the table below:

	No. of meetings attended/ No. of meetings held		
	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting
No. of Meetings held in the year	4	2	2
Non-executive Directors			
Lo Ka Shui (<i>Chairman</i>)	4/4	2/2	2/2
Cheng Wai Chee, Christopher	3/4	–	–
Ho Shut Kan	4/4	–	–
Lo Kai Shui	3/4	–	–
Executive Directors			
Lee Ching Ming, Adrian (<i>Chief Executive Officer</i>)	4/4	–	2/2
Independent Non-executive Directors			
Cha Mou Sing, Payson	4/4	–	–
David G. Eldon*	2/2	1/1	–
Shek Lai Him, Abraham	4/4	2/2	2/2
Ip Yuk Keung, Albert**	2/2	1/1	–
Attendance Rate	93%	100%	100%

* Mr. David G. Eldon retired as an Independent Non-executive Director and the Chairman of the Audit Committee of the REIT Manager on 14 June 2011.

** Mr. Ip Yuk Yeung, Albert was appointed as an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager on 5 May 2011 and was elected as the Chairman of the Audit Committee of the REIT Manager on 11 August 2011.

Disclosure on Remuneration

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

Pursuant to the announcement of Champion REIT dated 14 January 2011 in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 60% of the Manager's Fee arising from the real estate owned by Champion REIT in the form of Units and the remaining 40% in cash. The Manager's fee for the year ended 31 December 2011 amounted to HK\$187,474,000, being 12% of the net property income of Champion REIT for such services rendered during the year.

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

Corporate Governance Report

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

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.

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

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 31 December 2011:

Area of Operation	Citibank Plaza	Langham Place	Others
General management	–	–	13
Leasing	4	11	–
Marketing and promotion	–	9	–
Property management	60	144	–
Contractors/technical staff	132	297	–
Total	196	461	13

Management of Business Risk

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

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team comprises the Chief Executive Officer, the Chief Investment Officer, the Chief Operating Officer, the Finance and Office Administration Manager, the Compliance Manager and the Internal Auditor. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing between the team members. In 2011, 19 meetings were held by the management team.

Whistle Blowing

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

Conflicts of Interest and Business Competition with Great Eagle Holdings Limited

The REIT Manager, the Property Manager, Longworth Management Limited (“Longworth”) and The Great Eagle Properties Management Company, Limited (“GPEM”) take up the role of manager and property manager of Champion REIT, DMC manager and DMC Sub-manager of Citibank Plaza, DMC Manager and CAF manager of Langham Place, Sub-DMC manager of Langham Place Office Tower and Estate manager of the Langham Place Mall (as the case may be). Each of the above companies is a wholly-owned subsidiary of Great Eagle Holdings Limited (“Great Eagle”). Moreover, two members of the Board are directors of Great Eagle and/or its affiliated companies. There may be potential conflicts of interests between Great Eagle and Champion REIT in respect of the performance of estate management services in relation to Citibank Plaza and Langham Place or other properties.

Great Eagle, headquartered in Hong Kong, is engaged principally in the development, management and investment in the office, retail, residential and hotel properties in Hong Kong. It also invests in office properties in the United States, and invests in and manages hotels in North America, Europe, Australia, New Zealand and Mainland China. There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things, investment in, and the development and management of, properties in the office, retail, residential and hotel sectors in Hong Kong and elsewhere.

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

With respect to estate management services, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT. Further, given the extensive experience of Longworth and GPEM in the estate management of Citibank Plaza and Langham Place, the REIT Manager considers that it is in the interest of Champion REIT for the existing estate management arrangements to continue. Currently, Longworth and GPEM together have employed more than 200 full time staff exclusively dedicated to carrying out property management services in respect of Citibank Plaza and Langham Place with a separate office location and IT system.

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

Procedures to deal with Conflicts of Interests

The REIT Manager has instituted the following procedures to deal with conflicts of interests issues:

- The REIT Manager is a dedicated manager to Champion REIT and will not manage any other real estate investment trust or be involved in any other real property business.
- The majority of the Board is not related to Great Eagle and the Independent Non-executive Directors will act independently for the interests of Champion REIT.
- The management structure of the REIT Manager includes the Audit Committee and the Disclosures Committee to promote a high level of corporate governance and address any potential conflicts of interests with Great Eagle.
- The REIT Manager has adopted the Compliance Manual and Operations Manual which set out detailed compliance procedures in connection with its operations.
- The REIT Manager has a team of full-time senior management and employees that operates independently of Great Eagle.
- All connected party transactions are managed in accordance with the requirements set out in the REIT Code, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Champion REIT.

Reporting and Transparency

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

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

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the auditor of Champion REIT amounted to HK\$2,000,000 (2010: HK\$2,600,000) for audit and audit related services, and HK\$540,000 (2010: HK\$840,000) for non-audit services.

General Meetings

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

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

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

At any meeting, a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder provided such Units are fully paid up. Votes cast by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted. On a poll, votes may be given either personally or by proxy. The form of the instrument of proxy used shall be in accordance with the form illustrated in the Trust Deed or in any other form which the Trustee shall approve.

Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders. A person so authorised shall have the same rights and powers as if he were an individual Unitholder.

Proceedings of General Meetings

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

Maintaining timely and effective communications with Unitholders and the investment community about corporate strategy, business development and prospects is an important priority for Champion REIT. All corporate communications of the REIT Manager, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant information are available on the website of Champion REIT at www.ChampionReit.com.hk.

To ensure mutual and efficient communications, the REIT Manager meets existing and potential investors, financial analysts and media at one-on-one group meetings, local and overseas conference and roadshows regularly. Analyst briefings and investor meetings were held during the year. Investors and Unitholders may visit the Champion REIT's website for details of its recent press release and results announcement presentation and may also send enquiries to the Champion REIT's website. Timeline of significant events setting out the important dates is contained in this Annual Report.

Distribution

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. The effective payout ratio for the year ended 31 December 2011 is 94.4%.

Matters to be Decided by Unitholders by Special Resolution

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

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

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

Issue of Further Units Post-Listing

To minimize the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code and the Trust Deed. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments (as defined in the Trust Deed) otherwise than on a pro rata basis to all existing Unitholders and without the approval of Unitholders if:

- (a) the total number of new Units issued, or agreed (conditionally or unconditionally) to be issued, in that Financial Year, without taking into account:
 - (1) any new Units issued or issuable in that Financial Year pursuant to any Convertible Instruments issued (whether in that or any prior Financial Year) pursuant to and in compliance with Clause 7.1.6 under the Trust Deed, to the extent that such new Units are covered by the aggregate number of new Units contemplated under Clause 7.1.6(i)(b) of the Trust Deed at the Relevant Date applicable to the relevant Convertible Instruments;
 - (2) such number of new Units issued or issuable pursuant to any such Convertible Instruments as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;

- (3) any new Units issued in that Financial Year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under Clause 7.1.6(i)(a) of the Trust Deed (whether in that or any prior Financial Year);
- (4) any new Units issued or issuable (whether directly or pursuant to any Convertible Instruments) in that Financial Year pursuant to any pro rata offer made in that Financial Year in accordance with Clause 7.1.5 under the Trust Deed;
- (5) any new Units issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and in respect of which the specific prior approval of Unitholders in accordance with the relevant requirements hereunder and under applicable laws and regulations (including the Code) has been obtained; and/or
- (6) any new Units issued or issuable in that Financial Year pursuant to any reinvestment of distributions made in that Financial Year in accordance with Clause 20.9 under the Trust Deed;

Plus

- (b) (1) the maximum number of new Units issuable at the Initial Issue Price (as defined in Clause 7.2.2 under the Trust Deed) pursuant to any Convertible Instruments issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and whose Relevant Date falls within that Financial Year; and
- (2) the maximum number of any other new Units which may be issuable pursuant to any such Convertible Instruments as at the Relevant Date thereof as estimated or determinable by the REIT Manager in good faith and using its best endeavours and confirmed in writing to the Trustee and the SFC, having regard to the relevant terms and conditions of such Convertible Instruments (including any additional new Units issuable under any adjustment mechanism thereunder other than adjustments arising from the consolidation or subdivision or re-designation of Units),

does not increase the number of Units that were outstanding at the end of the previous Financial Year (or, in the case of an issue of, or an agreement (whether conditional or unconditional) to issue, Units or Convertible Instruments during the first Financial Year, the number of Units that were outstanding as at the Listing Date) by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC).

In circumstances where pre-emption rights apply, only to the extent that the Units offered are not taken up by such holders may they be allotted to or issued to other persons or otherwise than pro rata to their existing holdings.

Any issue, grant or offer of Units or Convertible Instruments to a Connected Person of Champion REIT will require specific prior approval of Unitholders by way of an Ordinary Resolution in respect of which the connected person shall be prohibited from voting or being counted in the quorum for the meeting of the Unitholders, unless such issue, grant or offer is made under the following circumstances (where, for the avoidance of doubt, no Unitholders' approval will be required):

- (a) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (b) Units are issued to a Connected Person under Clause 11.1.1 of the Trust Deed in or towards the satisfaction of the REIT Manager's fees; or

Corporate Governance Report

- (c) Units and/or Convertible Instruments are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units and/or Convertible Instruments to or with any person(s) who is/are not its associate(s) (other than any Excluded Associate (as defined in the Trust Deed)), provided always that (i) the new Units and/or Convertible instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of the placing); and (ii) the number of Units and/or Convertible Instruments issued to the Connected Person must not exceed the number of Units and/or Convertible Instruments placed by it; or
- (d) the Connected Person is acting as underwriter or sub-underwriter of an issue or offer of Units or other securities by or on behalf of the Trust or any Special Purpose Vehicle, provided that:
 - (i) the issue or offer is made under and in accordance with Clause 7.1.5 under the Trust Deed; and
 - (ii) the issue or offer is in compliance with any applicable provisions of the Listing Rules, which provisions shall have effect, making all necessary amendments; or
- (e) the excess application and the taking up of pro rata entitlements by the Connected Person in respect of a pro rata issue of Units and/or Convertible Instruments under Clause 7.1.5 of the Trust Deed or an open offer by the Trust; or
- (f) Units are issued to a Connected Person pursuant to a reinvestment of distribution in accordance with Clause 20.9 under the Trust Deed.

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

Internal Controls

The REIT Manager has a general power of management over the assets of Champion REIT. The Board is entrusted with the overall responsibility for maintaining sound and effective internal control systems to safeguard the assets of the Trust and ensure the smooth running of the business operations. The systems are designed to provide reasonable assurance against material misstatement or loss, and to mitigate risk of failure to meet the business objectives. The REIT Manager has an internal audit function in place to provide an independent assessment of the REIT Manager's internal control systems. During the year, the Internal Auditor has conducted a risk-based review of the policies and procedures described in the Compliance Manual to ensure they have been operated as expected.

The Board is responsible for reviewing the effectiveness of the system of internal control on an annual basis through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. Through the Audit Committee and the Internal Auditor, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2011. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

The 2-years audit plans are approved by the Audit Committee. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committee and discussed at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Auditor to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2011 and the assessment of the Audit Committee thereon, the Board considers that the internal control system is effective and adequate. No significant irregularity or deficiency in internal controls that may affect Unitholders' investment and the Trust's assets were identified.

Interest of, and Dealings in Units by, Directors, the REIT Manager or the Significant Unitholders

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the "Governing Code") governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this Governing Code, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. Governing Code also extended to senior executives and officers of the REIT Manager. Specific enquiry has been made with the Directors, its senior executives and officers and they have confirmed that they complied with the required standard set out in the Governing Code throughout the year ended 31 December 2011.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Champion REIT's securities for a similar period.

Similarly, where the Directors are in possession of any unpublished price-sensitive information, they must refrain from dealing in the Units as soon as they become aware of, or privy to, such information until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules.

The REIT Manager has also adopted procedures for the monitoring of disclosure of interests by Directors, the Chief Executive Officer of the REIT Manager, and the REIT Manager. The provisions of Part XV of the SFO shall apply to the REIT Manager, the Directors and Chief Executive Officer of the REIT Manager and each Unitholder and all persons claiming through or under them.

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

New Units Issued

As at 31 December 2011, the total number of issued Units of Champion REIT was 4,956,590,003. As compared with the position of 31 December 2010, a total of 26,005,247 new Units were issued during the year.

Date	Particulars	No. of Units
1 Jan 2011	Number of issued Units	4,930,584,756
8 Mar 2011	Issue of new Units to the REIT Manager at the price of HK\$4.62 per Unit (being the Market Price ascribed in the Trust Deed) as payment of the Manager's Fee arising from the Citibank Plaza of approximately HK\$53,753,000 for the six months ended 31 December 2010	11,634,743
6 Jul 2011	Issue of new Units 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	2,770
26 Aug 2011	Issue of new Units to the REIT Manager at the price of HK\$3.833 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 60% of the Manager's Fee of approximately HK\$55,072,000 for the six months ended 30 June 2011	14,367,734
31 Dec 2011	Number of issued Units	4,956,590,003

Repurchase, Sale or Redemption of Champion REIT's Securities

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 year ended 31 December 2011, neither the Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

Fair Vantage Limited, the issuer of the HK\$4,680,000,000 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008 (the "2008 Convertible Bonds"), repurchased HK\$55,000,000 of the 2008 Convertible Bonds, at a price of 119% of their principal amounts in November 2011. The 2008 Convertible Bonds are listed on the Stock Exchange. The repurchased 2008 Convertible Bonds were cancelled on 9 December 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\$841,800,000 on its maturity on 23 May 2011. The redeemed outstanding Bonds were cancelled.

Save as disclosed above, there was no repurchase, sale or redemption of Champion REIT's securities by the REIT Manager or the special purpose vehicles of the Trust during the year ended 31 December 2011.

Real Estate Sale and Purchase

Champion REIT did not enter into any real estate sales and purchases transactions during the year ended 31 December 2011.

Compliance with Compliance Manual

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

Public Float

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

Review of Annual Report

The annual report of Champion REIT for the year ended 31 December 2011 have been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2011. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2011 have been audited by the Independent Auditor, Messrs. Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of the Champion REIT for the year ended 31 December 2011 is set out in the Independent Auditor's Report.

Hong Kong, 20 February 2012

Connected Party Transactions Report

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

Connected Party Transactions with the Great Eagle Connected Persons Group 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 year ended 31 December 2011 ("Year").

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 Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	394,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	2,825,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction ²	10,348,000 ³
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	3,282,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	6,600,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ⁶	3,904,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	50,000
China Mobile Hong Kong Company Limited	Associate of a Director ⁷	Licence fee ⁸	227,000
Total			27,630,000

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	326,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income ²	1,398,000 ⁹
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle	Building management fee income ⁴	542,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income ⁵	2,952,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ⁶	434,000
Total			5,652,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	116,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	905,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,158,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	65,625,000 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	61,000
Clever Gain Investment Limited (trade as Yat Tung Heen)	Subsidiary of Great Eagle	Marketing expense	36,000
Total			67,905,000

Connected Party Transactions Report

Notes:

1. A security deposit by way of a bank guarantee of approximately HK\$859,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Year end date.
2. A security deposit by way of bank guarantee of approximately HK\$3,121,000 provided by Langham Hotels International Limited was held by the Trust as at the Year end date.
3. Out of this HK\$10,348,000, 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 Year 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 Year end date.
6. A security deposit of approximately HK\$1,040,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Year 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.
8. A security deposit of approximately HK\$39,000 provided by China Mobile Hong Kong Company Limited was held by the Trust as at the Year end date.
9. Out of this HK\$1,398,000, 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\$65,625,000, approximately HK\$64,022,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,603,000 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 parties 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:-

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Year 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	64,022,000
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	1,603,000

Other Pre-Existing Agreements and Other Transactions Subject to Reporting Requirements under Paragraph 8.14 of the REIT Code

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes/ Expenses for the Year HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	908,000
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	30,621,000
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	76,820,000
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	88,382,000

Notes:

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

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\$187,474,000 being the 12% of the net property income of the Champion REIT for such services rendered during the Year 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 12 months ended 31 December 2011, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$112,484,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$74,990,000.

Connected Party Transactions Report

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

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

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

HSBC Group means The Hongkong and Shanghai Banking Corporation Limited 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/Expenses for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	2,930,000
HSBC Group	Trustee Connected Persons	Bank charge	68,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan interest expense	89,565,000

Connected Party Transactions – Leasing/Licensing Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Incomes for the Year HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ²	44,146,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Building management fee income ²	4,028,000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing transaction ²	324,000
Hang Seng Bank Limited	Trustee Connected Persons	Building management fee income ²	49,000
Total			48,547,000

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 31 December 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 31 December 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 Year end date.

Connected Party Transactions – Leasing/Licensing Transactions with any Member of HSBC Group under which the Annual Rent exceeds HK\$ 1 million

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Material Terms	Annual Rent HK\$
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for the whole of 20th and 21st Floors of Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 March 2010 to 28 February 2013	31,501,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for Suites 2001-5 on 20th Floor of ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 March 2010 to 28 February 2013	5,447,000
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Lease for Suites Nos. 07 & 08 on Level 11 and the whole of Level 18, Office Tower, Langham Place, 8 Argyle Street and 555 Shanghai Street, Mongkok, Kowloon.	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 April 2011 to 31 March 2014	7,198,000

Connected Party Transactions – Corporate Finance Transaction with HSBC Group

Both the REIT Manager and the Trustee confirm that there was no corporate finance transaction with the HSBC Group during the Year.

Connected Party Transactions – Others

During the Year, the trustee fee of approximately HK\$9,442,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

Connected Party Transactions with Other Connected Persons

During the Year, an amount of approximately HK\$355,000 was paid to Knight Frank Petty Limited, for the valuation fees, in their capacity as the principal valuer of Champion REIT.

Connected Party Transactions Report

Confirmation by the Independent Non-Executive Directors of the REIT Manager

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

- (i) in the ordinary and usual course of business of Champion REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Champion REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the REIT Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders of Champion REIT as a whole.

Report from Auditor of Champion REIT

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

Hong Kong, 20 February 2012

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 31 December 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	Total	Percentage of Issued Units ⁷
Top Domain International Limited	1,420,416,628 ¹	–	1,420,416,628 ¹	28.65
Keen Flow Investments Limited	913,580,933 ¹	–	913,580,933 ¹	18.43
Bright Form Investments Limited	–	648,199,445 ^{1,2}	648,199,445 ^{1,2}	13.07
Eagle Asset Management (CP) Limited	212,311,275 ^{1,3}	–	212,311,275 ^{1,3}	4.28
Fine Noble Limited	14,578,503 ¹	–	14,578,503 ¹	0.29
Great Eagle Nichemusic Limited	1,129,743 ¹	–	1,129,743 ¹	0.02
Lee Ching Ming, Adrian	173,250 ⁴	–	173,250 ⁴	0.003
Fortune Mega Investments Limited	163,936,151 ⁵	–	163,936,151 ⁵	3.30
HSBC Group	1,013,578 ⁶	4,432,132 ⁶	5,445,710 ⁶	0.10

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 the number of Units held by Eagle Asset Management (CP) Limited increased by 14,367,734 Units as compared with the position as at 30 June 2011, the unitholdings of these companies remained unchanged as compared with the position as at 30 June 2011.

HSBC International Trustee Limited ("HITL") as the trustee of a discretionary trust held 33.20% interest in Great Eagle as at 31 December 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 19.00% voting rights in the share capital of Great Eagle as at 31 December 2011.

2. 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 price of HK\$3.61. The number of underlying Units held by Bright Form remained unchanged as compared with the position as at 30 June 2011.
3. 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.
4. Mr. Lee Ching Ming, Adrian is a connected person by virtue of his being a director of the REIT Manager. The number of Units held by Mr. Lee Ching Ming, Adrian increased by 100,000 Units as compared with the position as at 30 June 2011.
5. 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 30 June 2011.
6. 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 966,000 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 decreased by 190,641 Units as compared with the position as at 30 June 2011.

HSBC Group was deemed to be interested in these 4,432,132 Units which were underlying Units derived from the convertible bonds due 2013 in the principal amount of HK\$16,000,000 held by its holding company, controlling entities, subsidiaries and associated companies (as defined in the REIT Code) of the Trustee at the conversion price of HK\$3.61. HSBC Group was not interested or deemed to be interested in any underlying Units as at 30 June 2011.

Disclosure of Interests

7. This percentage has been compiled based on the total number of issued Units of Champion REIT of 4,956,590,003 as at 31 December 2011 and rounded down to 2 decimal places.

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 July 2011 to 31 December 2011.

Holdings of Directors and Chief Executive of the REIT Manager, the REIT Manager and Substantial Unitholders

As at 31 December 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	2,562,017,082 ¹	648,199,445 ¹	3,210,216,527 ¹	64.76
Cheng Wai Chee, Christopher	13,424,730 ²	–	13,424,730 ²	0.27
Lee Ching Ming, Adrian	173,250	–	173,250	0.003
REIT Manager				
Eagle Asset Management (CP) Limited	212,311,275 ¹	–	212,311,275 ¹	4.28
Substantial Unitholders				
Great Eagle Holdings Limited	2,562,017,082 ¹	648,199,445 ¹	3,210,216,527 ¹	64.76
HSBC International Trustee Limited	2,564,493,246 ¹	648,199,445 ¹	3,212,692,691 ¹	64.81
Top Domain International Limited	1,420,416,628	–	1,420,416,628	28.65
Keen Flow Investments Limited	913,580,933	–	913,580,933	18.43
Bright Form Investments Limited	–	648,199,445	648,199,445	13.07

(b) Debentures ⁵

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

Notes:

1. Dr. Lo Ka Shui is a substantial shareholder holding 19.00% voting rights in the share capital of Great Eagle. Great Eagle was deemed to be interested in a total of 3,210,216,527 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) 212,311,275 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 2,564,493,246 Units held by HSBC International Trustee Limited ("HITL"), 2,562,017,082 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 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 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 33.20% 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 19.00% voting rights in the capital of Great Eagle.
2. 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 4,956,590,003 as at 31 December 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 31 December 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 Executives of the REIT Manager had any interests (or deemed to be interested) and short positions in the Units, underlying Units and debentures of Champion REIT or any of its associated 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.

Financials

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Independent Auditor's Report



To the Unitholders of Champion Real Estate Investment Trust

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

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 135, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Consolidated Financial Statements

The Manager of Champion REIT is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Appendix C of the Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2011 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 February 2012

Consolidated Income Statement

For The Year Ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000 (restated)
Rental income	7	1,757,980	1,702,786
Building management fee income		164,436	155,824
Rental related income	8	17,866	17,301
Total revenue		1,940,282	1,875,911
Property operating expenses	9	(377,995)	(367,224)
Net property income		1,562,287	1,508,687
Interest income		10,548	4,969
Manager's fee	10	(187,474)	(181,042)
Trust and other expenses		(15,980)	(13,896)
Increase in fair value of investment properties		4,634,700	5,867,385
Change in fair value of derivative components of convertible bonds	23	1,246,398	(943,423)
Change in fair value of rental stabilisation arrangement	17	17	483
Gain on repurchase of convertible bonds		1,895	–
Gain on settlement of convertible bonds		219	–
Finance costs	11	(575,238)	(756,238)
Profit before tax and distribution to unitholders	12	6,677,372	5,486,925
Income taxes	13	(184,402)	(177,599)
Profit for the year, before distribution to unitholders		6,492,970	5,309,326
Distribution to unitholders		(1,110,520)	(1,066,870)
Profit for the year, after distribution to unitholders		5,382,450	4,242,456
Basic earnings per unit	14	HK\$1.31	HK\$1.09
Diluted earnings per unit	14	HK\$0.88	HK\$1.04

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000 (restated)
Profit for the year, after distribution to unitholders	5,382,450	4,242,456
Cash flow hedges:		
Gain arising during the year	59,353	90,607
Reclassification adjustments for amounts recognised in profit or loss	63,019	172,757
	122,372	263,364
Total comprehensive income for the year	5,504,822	4,505,820

Consolidated Statement of Financial Position

As At 31 December 2011

	Notes	31.12.2011 HK\$'000	31.12.2010 HK\$'000 (restated)	1.1.2010 HK\$'000 (restated)
Non-current assets				
Investment properties	16	54,857,300	50,222,600	44,240,800
Rental stabilisation arrangement	17	–	6,033	44,943
Loan receivables	18	–	–	52,737
Total non-current assets		54,857,300	50,228,633	44,338,480
Current assets				
Loan receivables	18	–	54,566	–
Trade and other receivables	19	180,034	107,709	103,107
Tax recoverable		1,798	6,561	–
Bank balances and cash	20	1,292,752	2,038,090	1,832,105
Total current assets		1,474,584	2,206,926	1,935,212
Total assets		56,331,884	52,435,559	46,273,692
Current liabilities				
Trade and other payables	21	1,169,976	1,153,065	1,050,000
Deposits received		405,131	368,347	331,380
Tax liabilities		73,988	11,654	48,224
Distribution payable		592,565	536,508	633,339
Secured term loans	22	–	6,997,329	–
Convertible bonds	23	–	900,765	–
Derivative financial instruments	24	–	59,353	–
Total current liabilities		2,241,660	10,027,021	2,062,943

Consolidated Statement of Financial Position

As At 31 December 2011

	Notes	31.12.2011 HK\$'000	31.12.2010 HK\$'000 (restated)	1.1.2010 HK\$'000 (restated)
Non-current liabilities, excluding net assets attributable to unitholders				
Secured term loans	22	9,407,481	2,446,147	9,433,278
Convertible bonds	23	5,632,722	6,597,729	6,261,830
Derivative financial instruments	24	–	–	149,960
Deferred tax liabilities	25	294,454	222,755	111,144
Total non-current liabilities, excluding net assets attributable to unitholders		15,334,657	9,266,631	15,956,212
Total liabilities, excluding net assets attributable to unitholders				
		17,576,317	19,293,652	18,019,155
Net assets attributable to unitholders				
		38,755,567	33,141,907	28,254,537
Number of units in issue ('000)	26	4,956,590	4,930,585	4,823,535
Net asset value per unit	28	HK\$7.82	HK\$6.72	HK\$5.86

The consolidated financial statements on pages 87 to 135 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT") on 20 February 2012 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

LEE Ching Ming, Adrian
DIRECTOR

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For The Year Ended 31 December 2011

	Issued units HK\$'000 (note 26)	Hedging reserve HK\$'000	Others HK\$'000 (note)	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 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 policies	–	–	–	895,235	895,235
Net assets attributable to unitholders as at 1 January 2010, as restated	20,651,833	(385,736)	5,757,943	2,230,497	28,254,537
Profit for the year, after distribution to unitholders (restated)	–	–	–	4,242,456	4,242,456
Cash flow hedges	–	263,364	–	–	263,364
Total comprehensive income for the year	–	263,364	–	4,242,456	4,505,820
Issue of units	381,550	–	–	–	381,550
Net assets attributable to unitholders as at 31 December 2010, as restated	21,033,383	(122,372)	5,757,943	6,472,953	33,141,907
Profit for the year, after distribution to unitholders	–	–	–	5,382,450	5,382,450
Cash flow hedges	–	122,372	–	–	122,372
Total comprehensive income for the year	–	122,372	–	5,382,450	5,504,822
Issue of units	108,838	–	–	–	108,838
Net assets attributable to unitholders as at 31 December 2011	21,142,221	–	5,757,943	11,855,403	38,755,567

Note: "Others" represent

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

Distribution Statement

For The Year Ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Interim Distribution Period			
Total distributable income		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 amounts (note (i))		6,050	13,939
Total distribution amount paid		517,955	530,362
Final Distribution Period			
Total distributable income	15	1,170,311	1,084,264
Less: distributable income paid in Interim Distribution Period		(511,905)	(516,423)
Distributable income available for Final Distribution Period		658,406	567,841
Percentage of distributable income for distribution (note (i))		90%	90%
Distributable income for Final Distribution Period		592,565	511,057
Additional amounts (note (i))		–	25,451
Total distribution amount to be paid		592,565	536,508
Total distribution amounts for the year		1,110,520	1,066,870
Distributions per unit to unitholders			
Interim distribution per unit paid (note (ii))		HK\$0.1045	HK\$0.1076
Final distribution per unit to be paid (note (iii))		HK\$0.1196	HK\$0.1086
		HK\$0.2241	HK\$0.2162

Notes:

- (i) It is the policy of the Manager to distribute 90% (2010: 90%) of available distributable income as distributions for each of the six month periods ended 30 June (the "Interim Distribution Period") and 31 December (the "Final Distribution Period").
- For the Interim Distribution Period and Final Distribution Period in 2011, additional amounts of HK\$6,050,000 (2010: HK\$13,939,000) and HK\$nil (2010: HK\$25,451,000), respectively, were distributed at the discretion of Manager for the amount received according to the Rental Stabilisation Arrangement (see note 17).
- (ii) The interim distribution per unit of HK\$0.1045 for the Interim Distribution Period in 2011 was calculated based on the interim distribution paid of HK\$517,955,000 for the period and 4,956,590,003 units as of 14 September 2011, which was the record date for the period. The distribution was paid to unitholders on 3 October 2011.
- The interim distribution per unit of HK\$0.1076 for the Interim Distribution Period in 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.
- (iii) The final distribution per unit of HK\$0.1196 for the Final Distribution Period in 2011 is calculated based on the final distribution to be paid of HK\$592,565,000 for the period and 4,956,590,003 units. Such final distribution will be subject to further adjustments upon the issuance of units between 1 January 2012 and 3 May 2012, which is the record date set for such period. The final distribution will be paid to unitholders on or about 16 May 2012.
- The final distribution per unit of HK\$0.1086 for the Final Distribution Period in 2010 was calculated based on the final distribution paid of HK\$536,508,000 for the period and 4,942,219,499 units as of 27 April 2011, which was the record date for the period.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000
Operating activities		
Profit before tax and distribution to unitholders	6,677,372	5,486,925
Adjustments for:		
Increase in fair value of investment properties	(4,634,700)	(5,867,385)
Change in fair value of derivative components of convertible bonds	(1,246,398)	943,423
Change in fair value of rental stabilisation arrangement	(17)	(483)
Gain on repurchase of convertible bonds	(1,895)	–
Gain on settlement of convertible bonds	(219)	–
Manager's fee paid and payable in units	112,484	113,063
Interest income	(10,548)	(4,969)
Finance costs	575,238	756,238
Operating cash flow before movements in working capital	1,471,317	1,426,812
Increase in trade and other receivables	(72,284)	(4,298)
Increase in trade and other payables	15,466	35,169
Increase in deposits received	36,784	36,967
Cash generated from operations	1,451,283	1,494,650
Interest paid	(205,269)	(279,404)
Hong Kong Profits Tax paid	(45,606)	(109,119)
Net cash from operating activities	1,200,408	1,106,127
Investing activities		
Interest received	9,766	2,836
Cash received from rental stabilisation arrangement	6,050	39,393
Settlement of loan receivables	55,307	–
Additions to investment properties	–	(1,065)
Net cash from investing activities	71,123	41,164

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000
Financing activities		
Bank origination fees	(52,500)	–
Redemption of convertible bonds	(841,803)	–
New bank loan raised	7,000,000	–
Repayment of bank loan	(7,000,000)	–
Settlement upon conversion of convertible bonds	(2,153)	–
Distribution paid	(1,054,688)	(941,306)
Repurchase of convertible bonds	(65,725)	–
Net cash used in financing activities	(2,016,869)	(941,306)
Net (decrease) increase in cash and cash equivalents	(745,338)	205,985
Cash and cash equivalents at beginning of the year	2,038,090	1,832,105
Cash and cash equivalents at end of year, represented by bank balances and cash	1,292,752	2,038,090

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

1. General

Champion REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units are listed on The Stock Exchange of Hong Kong Limited (the "HKSE"). Champion REIT is governed by the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed"), entered into between 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 subsidiaries (the "Group") is to own and invest in income-producing commercial properties in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. The address of the registered office of the Manager and the Trustee, is Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Hong Kong, and 1 Queen's Road Central, Hong Kong, respectively.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

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 the consolidated statement of changes in net assets attributable to unitholders. In addition, the application has resulted in the Group's income taxes being reduced by HK\$869,389,000 and profit before distribution to unitholders being increased by the same amount for the year ended 31 December 2010.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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

In the current year, 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 year ended 31 December 2011 being reduced by HK\$764,726,000 and profit before distribution to unitholders being increased by the same amount.

Summary of the effect of the above change in accounting policy

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

	2011 HK\$’000	2010 HK\$’000
Decrease in income taxes and corresponding increase in profit for the year, before distribution to unitholders	764,726	869,389

	2011 HK\$	2010 HK\$
Impact on basic earnings per unit		
Basic earnings per unit before adjustment	1.16	0.91
Adjustment in relation to application of amendments to HKAS 12	0.15	0.18
Reported basic earnings per unit	1.31	1.09

Impact on diluted earnings per unit		
Diluted earnings per unit before adjustment	0.76	0.90
Adjustment in relation to application of amendments to HKAS 12	0.12	0.14
Reported diluted earnings per unit	0.88	1.04

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

	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

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (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)

	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

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

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
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
Amendment to HKAS 1	Presentation of Items of Other Comprehensive Income ⁴
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁵
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011

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

³ Effective for annual periods beginning on or after 1 January 2015

⁴ Effective for annual periods beginning on or after 1 July 2012

⁵ Effective for annual periods beginning on or after 1 January 2014

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Manager anticipates that HKFRS 9 will be adopted in the Group’s financial statements for the annual period beginning 1 January 2015 but that the application of HKFRS 9 may not have significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities.

HKFRS 13 “Fair Value Measurement”

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial Instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Manager anticipates that HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will not affect the Group’s financial position, however the application will result in more extensive disclosures in the consolidated financial statements.

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

3. Significant Accounting Policies

Basis of preparation of consolidated financial statements

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Champion REIT and the entities controlled by Champion REIT and its subsidiaries. Control is achieved where Champion REIT has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities.

The results of entities acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

Leasing

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

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

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

Financial instruments

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL").

Effective interest method

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

Financial assets at fair value through profit or loss

A financial asset (i.e. rental stabilisation arrangement) at FVTPL is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

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

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

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

Effective interest method

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

Other financial liabilities

Other financial liabilities (including trade and other payables, distribution payable, secured term loans and liability component of the convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Unit issue costs

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

Convertible bonds

Convertible bonds issued by the Group that contain both liability and derivative components (including early redemption option which is not closely related to the host liability component, and conversion option) are classified separately into the respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own units is a conversion option derivative. At the date of issue, both the liability and derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments and hedging

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

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

3. Significant Accounting Policies (continued)

Hedge accounting (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in net assets attributable to unitholders (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in the hedging reserve at that time remains in net assets attributable to unitholders and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in net assets attributable to unitholders is recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

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

Revenue recognition

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

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

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

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

Borrowing costs

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

Taxation

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case the current and deferred tax is also recognised in other comprehensive income or directly in net assets attributable to unitholders respectively.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management has considered the following key sources of estimation uncertainty at the end of the reporting period that would have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by independent professional valuers. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 16.

As described in note 23, assumptions are made based on market data such as historical volatility of Champion REIT's unit prices for the valuation of derivative components of convertible bonds.

4. Key Sources of Estimation Uncertainty (continued)

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

5. Financial Instruments

(a) Categories of financial instruments

	2011 HK\$'000	2010 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Loan receivables	–	54,566
Trade and other receivables	17,156	10,564
Bank balances and cash	1,292,752	2,038,090
	1,309,908	2,103,220
<i>Financial assets at FVTPL</i>		
Rental stabilisation arrangement	–	6,033
Financial liabilities		
<i>Financial liabilities at FVTPL</i>		
Derivative components of convertible bonds	350,677	1,602,171
<i>Derivative instruments in designated hedge accounting relationships</i>		
Interest rate swaps	–	59,353
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	175,989	158,113
Distribution payable	592,565	536,508
Secured term loans	9,407,481	9,443,476
Liability component of convertible bonds	5,282,045	5,896,323
	15,458,080	16,034,420

5. Financial Instruments (continued)

(b) Financial risks management objectives and policies

The Group's major financial instruments include secured term loans, trade and other receivables, bank balances and cash, convertible bonds, trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, other price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk arises mainly from its variable-rate secured term loans (see note 22 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, debt portion of the convertible bonds.

In prior year, the Group entered into interest rate swaps to hedge against its exposures to changes in interest rate on certain of its secured term loans. These interest rate swaps were designated as effective hedging instruments and hedge accounting was used (see note 24 for details). On 24 May 2011, the interest rate swaps expired upon the maturity of the corresponding term loan. Before the date of expiry of interest rate swaps, the Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly used regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedging effectiveness.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's term loans. The Manager will continue to monitor the interest rate risk to the Group and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments. For variable-rate term loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2010: 50) basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's:

- (i) profit before tax and distribution to unitholders for the year ended 31 December 2011 would decrease/increase by HK\$47,270,000 (2010: HK\$12,270,000). This is mainly attributable to the Group's exposure to interest rates on its secured term loans amounted to HK\$9,454,000,000 (2010: HK\$2,454,000,000) which is not hedged.
- (ii) hedging reserve would be credited by HK\$12,621,000/debited by HK\$11,022,000 for the year ended 31 December 2010 mainly as a result of the changes in the fair value of interest rate swaps.

5. Financial Instruments (continued)

(b) Financial risks management objectives and policies (continued)

(ii) Other price risk

The Group is exposed to risk through fluctuation of forecasted rental income arising from the rental stabilisation arrangement and price risk through its unit price risks arising from the derivative components of the convertible bonds. Details of rental stabilisation arrangement and convertible bonds are set out in note 17 and note 23, respectively.

Sensitivity analysis

If the inputs (i.e. volatility and market rent) to the valuation model had been 5% higher/lower while all other variables were held constant, profit before tax and distribution to unitholders would increase/decrease as follows:

A positive number indicates a decrease in profit before tax whereas a negative number indicates an increase in profit before tax.

	2011 HK\$'000	2010 HK\$'000
Derivative components of convertible bonds		
Volatility, higher by 5%	27,917	35,744
Volatility, lower by 5%	(23,109)	(36,590)
Rental stabilisation arrangement		
Change in market rent, higher by 5%	–	(1)
Change in market rent, lower by 5%	–	3

(iii) Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the Property Manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Manager reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and loan receivables from a swap counterparty which was settled during the year ended 31 December 2011, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

5. Financial Instruments (continued)

(b) Financial risks management objectives and policies (continued)

(iv) Liquidity and capital risk management

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the Manager observes the Code issued by the Securities and Futures Commission concerning limits on total borrowings and monitors the level of borrowings to be within the permitted limit.

The Group has cash and cash equivalents of HK\$1,292,752,000 as at 31 December 2011 (2010: HK\$2,038,090,000). In addition to the cash resources, the Group has total available borrowing facilities amounted to HK\$9,954,000,000 (2010: HK\$10,154,000,000), of which HK\$9,454,000,000 (2010: HK\$9,454,000,000) was drawn as at 31 December 2011. The undrawn committed facility in the form of revolving bank loans totalled HK\$500,000,000 as at 31 December 2011 (2010: HK\$700,000,000). The management considers that the Group has sufficient financial resources to satisfy its commitments and working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risk associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value as required by the Code. As at 31 December 2011, the gearing ratio was 25.0% (2010: 28.4%). The ratio is calculated as total borrowings (principal amounts of secured term loans and convertible bonds) divided by total assets of the Group.

Liquidity and interest risk tables

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2011, the Group has undrawn committed facility of HK\$500,000,000 (2010: HK\$700,000,000). Details of which are set out in note 22.

The following tables detail the Group's expected maturity for its non-derivative financial assets as well as the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables below have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis. For non-derivative financial liabilities, the tables reflect the undiscounted (outflows) of financial liabilities (except units of Champion REIT as well as Manager's fee payable to be settled by units of Champion REIT) based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period. For convertible bonds, they are presented based on cash flows for payment of coupon interest and redemption at maturities.

5. Financial Instruments (continued)

(b) Financial risks management objectives and policies (continued)

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2011								
<i>Non-interest bearing</i>								
Trade and other receivables	-	17,156	-	-	-	-	17,156	17,156
<i>Variable interest rate</i>								
Bank balances and cash	0.91	1,292,888	-	-	-	-	1,292,888	1,292,752
Total		1,310,044	-	-	-	-	1,310,044	1,309,908
<i>Non-interest bearing</i>								
Trade and other payables	-	(118,576)	-	-	-	-	(118,576)	(118,576)
Distribution payable	-	(592,565)	-	-	-	-	(592,565)	(592,565)
		(711,141)	-	-	-	-	(711,141)	(711,141)
<i>Variable interest rate instruments</i>								
Secured term loans	1.15	(17,999)	(36,070)	(54,794)	(2,550,896)	(7,034,850)	(9,694,609)	(9,407,481)
<i>Fixed interest rate instruments</i>								
Convertible bonds	6.38	-	(23,025)	(23,025)	(5,726,868)	-	(5,772,918)	(5,282,045)
Total		(729,140)	(59,095)	(77,819)	(8,277,764)	(7,034,850)	(16,178,668)	(15,400,667)

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

5. Financial Instruments (continued)

(b) Financial risks management objectives and policies (continued)

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	0-60 days HK\$'000	61-180 days HK\$'000	181-365 days HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2010								
<i>Non-interest bearing</i>								
Trade and other receivables	-	10,564	-	-	-	-	10,564	10,564
Loan receivables	-	-	55,307	-	-	-	55,307	54,566
		10,564	55,307	-	-	-	65,871	65,130
<i>Variable interest rate</i>								
Bank balances and cash	0.36	2,038,092	-	-	-	-	2,038,092	2,038,090
Total		2,048,656	55,307	-	-	-	2,103,963	2,103,220
<i>Non-interest bearing</i>								
Trade and other payables	-	(104,360)	-	-	-	-	(104,360)	(104,360)
Distribution payable	-	(536,508)	-	-	-	-	(536,508)	(536,508)
		(640,868)	-	-	-	-	(640,868)	(640,868)
<i>Variable interest rate instruments</i>								
Secured term loans	0.81	(13,174)	(7,019,669)	(9,742)	(19,431)	(2,462,204)	(9,524,220)	(9,443,476)
<i>Fixed interest rate instruments</i>								
Convertible bonds	5.96	-	(873,387)	(23,300)	(46,600)	(5,795,280)	(6,738,567)	(5,896,323)
Total		(654,042)	(7,893,056)	(33,042)	(66,031)	(8,257,484)	(16,903,655)	(15,980,667)

5. Financial Instruments (continued)

(b) Financial risks management objectives and policies (continued)

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments as at 31 December 2010. The table had been drawn up based on the undiscounted net cash outflows on the interest rate swaps that settled on a net basis. When the amount payable was not fixed, the amount disclosed had been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments was prepared based on the expected cash flows as the Manager considers that the expected cash flows were essential for an understanding of the timing of the cash flows of these derivatives, which had been entered into for hedging purposes.

	0-60 days HK\$'000	61-180 days HK\$'000	Total HK\$'000
Net settled:			
As at 31 December 2010			
Interest rate swaps	(21,662)	(30,110)	(51,772)

(c) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of interest rate swaps was determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments. For rental stabilisation arrangement, the fair value was estimated using the Black-Scholes model whereas for derivative components of convertible bonds, the fair values are estimated using the Binomial model.

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

(d) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

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For The Year Ended 31 December 2011

5. Financial Instruments (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2011				
<i>Financial liabilities at FVTPL</i>				
Derivative components of convertible bonds	–	–	350,677	350,677
As at 31 December 2010				
<i>Financial assets at FVTPL</i>				
Rental stabilisation arrangement	–	–	6,033	6,033
<i>Financial liabilities at FVTPL</i>				
Derivative components of convertible bonds	–	–	1,602,171	1,602,171
<i>Derivative instruments in designated hedge accounting relationships</i>				
Interest rate swaps	–	59,353	–	59,353

There were no transfers between Level 1 and 2 in both current and last years.

Reconciliation of Level 3 fair value measurements of financial assets (liabilities)

	Rental stabilisation arrangement HK\$'000	Derivative components of convertible bonds HK\$'000	Total HK\$'000
As at 1 January 2010	44,943	(658,748)	(613,805)
Change in fair value	483	(943,423)	(942,940)
Cash received	(39,393)	–	(39,393)
As at 1 January 2011	6,033	(1,602,171)	(1,596,138)
Change in fair value	17	1,246,398	1,246,415
Conversion during the year	–	183	183
Repurchase during the year	–	4,913	4,913
Cash received	(6,050)	–	(6,050)
As at 31 December 2011	–	(350,677)	(350,677)

The above change in fair value is reported as "change in fair value of rental stabilisation arrangement" and "change in fair value of derivative components of convertible bonds", respectively, in the consolidated income statement.

6. 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 year ended 31 December 2011

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
Revenue	1,154,144	786,138	1,940,282
Segment results – Net property income	945,635	616,652	1,562,287
Interest income			10,548
Manager's fee			(187,474)
Trust and other expenses			(15,980)
Increase in fair value of investment properties			4,634,700
Change in fair value of derivative components of convertible bonds			1,246,398
Change in fair value of rental stabilisation arrangement			17
Gain on repurchase of convertible bonds			1,895
Gain on settlement of convertible bonds			219
Finance costs			(575,238)
Profit before tax and distribution to unitholders			6,677,372
Income taxes			(184,402)
Profit for the year, before distribution to unitholders			6,492,970
Distribution to unitholders			(1,110,520)
Profit for the year, after distribution to unitholders			5,382,450
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager's fee	(113,476)	(73,998)	(187,474)
Increase in fair value of investment properties	2,690,700	1,944,000	4,634,700

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For The Year Ended 31 December 2011

6. Segment Information (continued)

Segment revenue and results (continued)

For the year ended 31 December 2010

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000 (restated)
Revenue	1,129,498	746,413	1,875,911
Segment results – Net property income	942,194	566,493	1,508,687
Interest income			4,969
Manager's fee			(181,042)
Trust and other expenses			(13,896)
Increase in fair value of investment properties			5,867,385
Change in fair value of derivative components of convertible bonds			(943,423)
Change in fair value of rental stabilisation arrangement			483
Finance costs			(756,238)
Profit before tax and distribution to unitholders			5,486,925
Income taxes			(177,599)
Profit for the year, before distribution to unitholders			5,309,326
Distribution to unitholders			(1,066,870)
Profit for the year, after distribution to unitholders			4,242,456
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Manager's fee	(113,063)	(67,979)	(181,042)
Increase in fair value of investment properties	4,374,285	1,493,100	5,867,385

6. Segment Information (continued)

Other segment information

	Citibank Plaza HK\$'000	Langham Place HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2010			
Additions to non-current assets	114,415	–	114,415

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2011, the fair value of Citibank Plaza and Langham Place was HK\$36,437,800,000 (2010: HK\$33,747,100,000) and HK\$18,419,500,000 (2010: HK\$16,475,500,000), respectively.

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

Geographical information

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

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

7. Rental Income

	2011 HK\$'000	2010 HK\$'000
Rental income	1,728,358	1,675,597
Car park income	29,622	27,189
	1,757,980	1,702,786

8. Rental Related Income

	2011 HK\$'000	2010 HK\$'000
Interest income from tenants	550	558
Promotional levy income	7,141	7,170
Surplus on forbearance fee	–	2,489
Sundry income	10,175	7,084
	17,866	17,301

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

9. Property Operating Expenses

	2011 HK\$'000	2010 HK\$'000
Building management expenses	184,306	183,630
Car park operating expenses	7,718	7,312
Government rent and rates	60,488	61,293
Legal cost and stamp duty	5,375	5,111
Promotion expenses	15,085	16,552
Property and lease management service fee	51,177	50,986
Property miscellaneous expenses	2,270	3,960
Rental commission	49,855	36,912
Repairs and maintenance	1,721	1,468
	377,995	367,224

10. Manager's Fee

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2011 and 31 December 2011, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2011 and 31 December 2011 as remuneration.

	2011 HK\$'000	2010 HK\$'000
Manager's fee:		
In the form of units	112,484	113,063
In the form of cash	74,990	67,979
	187,474	181,042

Pursuant to election allowed by the Trust Deed on 14 January 2011, 60% of Manager's fee for each of the six months ended 30 June 2011 and 31 December 2011 arising from the properties currently owned by Champion REIT shall be settled in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 40% will be received in cash.

In relation to certain properties of Citibank Plaza acquired upon listing, the fee payable to the Manager was paid in the form of units until 31 December 2010. For certain properties of Citibank Plaza acquired in January 2007 and Langham Place acquired in June 2008, the Manager has elected to receive 12% of its fee in the form of units and cash, respectively, for each of the six months ended 30 June 2010 and 31 December 2010.

11. Finance Costs

	2011 HK\$'000	2010 HK\$'000
Finance costs represent:		
Interest expense on bank borrowings wholly repayable within five years	163,089	226,448
Interest expense on convertible bonds wholly repayable within five years	344,988	355,141
Release of cumulative loss on hedging instrument (note 24)	66,075	173,099
Other borrowing costs	1,086	1,550
	575,238	756,238

12. Profit Before Tax and Distribution to Unitholders

	2011 HK\$'000	2010 HK\$'000
Profit before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	2,000	2,600
Trustee's remuneration	9,442	8,292
Principal valuer's fee	355	350
Other professional fees and charges	3,063	2,437
Roadshow and public relations expenses	16	231
Bank charges	106	71

13. Income Taxes

	2011 HK\$'000	2010 HK\$'000 (restated)
Hong Kong Profits Tax:		
Current tax		
– Current year	112,677	65,172
– Underprovision in prior year	26	816
	112,703	65,988
Deferred tax (note 25)		
– Current year	71,699	111,611
	184,402	177,599

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

13. Income Taxes (continued)

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

	2011 HK\$'000	2010 HK\$'000 (restated)
Profit before tax and distribution to unitholders	6,677,372	5,486,925
Tax at the domestic income tax rate of 16.5%	1,101,766	905,343
Tax effect of income not taxable for tax purpose	(972,820)	(937,473)
Tax effect of expenses not deductible for tax purpose	18,258	173,912
Underprovision in prior year	26	816
Tax effect of tax losses not recognised	37,172	35,884
Other	–	(883)
Income taxes for the year	184,402	177,599

14. Basic and Diluted Earnings per Unit

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

	2011 HK\$'000	2010 HK\$'000 (restated)
Earnings		
Profit for the year, before distribution to unitholders for the purpose of basic earnings per unit	6,492,970	5,309,326
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	333,036	349,255
Change in fair value of derivative components of convertible bonds	(1,246,398)	943,423
Gain on repurchase of convertible bonds	(1,895)	–
Gain on settlement of convertible bonds	(219)	–
Profit for the year, before distribution to unitholders for the purpose of diluted earnings per unit	5,577,494	6,602,004
	2011	2010
Number of units		
Weighted average number of units for the purpose of basic earnings per unit	4,950,030,693	4,892,968,270
Effect of dilutive potential units:		
Convertible bonds	1,359,418,518	1,442,450,094
Weighted average number of units for the purpose of diluted earnings per unit	6,309,449,211	6,335,418,364

15. Total Distributable Income

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

	2011 HK\$'000	2010 HK\$'000 (restated)
Profit for the year, before distribution to unitholders	6,492,970	5,309,326
Adjustments:		
Manager's fee paid and payable in units	112,484	113,063
Increase in fair value of investment properties	(4,634,700)	(5,867,385)
Change in fair value of derivative components of onvertible bonds	(1,246,398)	943,423
Change in fair value of rental stabilisation arrangement	(17)	(483)
Non-cash gain	(741)	(1,829)
Non-cash finance costs	375,014	476,538
Deferred tax	71,699	111,611
Total distributable income	1,170,311	1,084,264

16. Investment Properties

	2011 HK\$'000	2010 HK\$'000
FAIR VALUE		
At the beginning of the year	50,222,600	44,240,800
Additions during the year	–	114,415
Increase in fair value during the year	4,634,700	5,867,385
	54,857,300	50,222,600

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

Notes to the Consolidated Financial Statements

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16. Investment Properties (continued)

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

As at 31 December 2011, investment properties with total fair value of HK\$49,072,300,000 (2010: HK\$50,222,600,000) have been mortgaged as security for credit facilities and convertible bonds as detailed in notes 22 and 23, respectively.

17. Rental Stabilisation Arrangement

Pursuant to the rental stabilisation arrangement (the "Arrangement") in relation to the acquisition of three floors and three carparking spaces in Citibank Plaza, Kerry Properties Limited ("Kerry") had undertaken that during the five years commencing from 5 January 2007 (the "Full Rental Stabilisation Period"), the New Property Income (as defined in the Arrangement) for each six-month period ending 30 June and 31 December during the Full Rental Stabilisation Period shall be not less than HK\$30,992,000. The total amount of shortfall receivable from Kerry under the Arrangement is subject to a maximum of HK\$95,223,000 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. During the year ended 31 December 2010, the Group received an aggregate amount of HK\$39,393,000, which represented the shortfall of New Property Income of HK\$39,390,000 and interest on the designated escrow account of HK\$3,000.

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 year of HK\$17,000 (2010: HK\$483,000) was credited to 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.

18. Loan Receivables

	2011 HK\$'000	2010 HK\$'000
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 effective interest rate of 3.42% per annum. On 24 May 2011, an amount of HK\$55,307,000 was received from the interest rate swap counterparty.

19. Trade and other Receivables

	2011 HK\$'000	2010 HK\$'000
Trade receivables	16,788	10,096
Deferred rent receivables	112,445	50,131
Deposits, prepayments and other receivables	50,801	47,482
	180,034	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:

	2011 HK\$'000	2010 HK\$'000
0 – 3 months	16,788	10,096

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK\$16,788,000 (2010: HK\$10,096,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

20. Bank Balances and Cash

	2011 HK\$'000	2010 HK\$'000
Cash on hand	6	6
Cash at bank	563,123	264,990
Time deposits	729,623	1,773,094
	1,292,752	2,038,090

Bank balances carry interest at market rates of 0.001% to 0.35% (2010: 0.001% to 0.01%) per annum. Time deposits with original maturity of less than three months carry interest at market rates which range from 1.2% to 1.57% (2010: 0.1% to 0.6%) per annum.

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21. Trade and other Payables

	2011 HK\$'000	2010 HK\$'000
Trade payables	64,124	52,602
Rental received in advance	18,251	17,069
Other payables	124,126	119,919
Accrued stamp duty	963,475	963,475
	1,169,976	1,153,065

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

	2011 HK\$'000	2010 HK\$'000
0 – 3 months	64,124	52,602

22. Secured Term Loans

	2011 HK\$'000	2010 HK\$'000
Secured term loans	9,454,000	9,454,000
Loan front-end fee	(46,519)	(10,524)
	9,407,481	9,443,476

The maturity of the above secured term loans is as follows:

Within one year	–	6,997,329
More than one year but not exceeding two years	2,449,397	–
More than two years but not exceeding five years	6,958,084	2,446,147
	9,407,481	9,443,476
Less: amount due within one year shown under current liabilities	–	(6,997,329)
Amount due after one year	9,407,481	2,446,147

22. Secured Term Loans (continued)

The secured term loans comprise the following:

- (i) In relation to the term loan and revolving credit facilities of HK\$7,200,000,000, 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 1-month HIBOR (2010: 1-month HIBOR) plus 0.53% per annum and were repaid in full on 24 May 2011. As security for the facilities granted to the Group, investment properties with a 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 swap as set out in note 24.
- (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 1-month HIBOR plus 0.93% per annum and is repayable on 24 May 2014. As security for the facility granted to the Group, investment properties with fair value of HK\$30,652,800,000 as at 31 December 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 to finance the acquisition of Langham Place, the total facilities drawn down by the Group as at 31 December 2011 was HK\$2,454,000,000 (2010: HK\$2,454,000,000). It bears interest at floating interest rate of HIBOR plus 0.59% per annum and is repayable in full in June 2013.

As security for the facilities granted to the Group, investment properties with a fair value of HK\$18,419,500,000 as at 31 December 2011 (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.

23. 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 have been granted and mortgaged in favour of the bond holders by the 2006 Bonds Issuer.

The principal terms of the 2006 Bonds include the following:

Conversion

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

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

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23. Convertible Bonds (continued)

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 then effective 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 year ended 31 December 2011, an aggregate principal amount of HK\$2,000,000 of the 2006 Bonds was converted. The 2006 Bonds Issuer elected to pay the bondholders 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.

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\$18,419,500,000 as at 31 December 2011 (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 or 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 with the terms and conditions of the 2008 Bonds.

23. Convertible Bonds (continued)

Redemption

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

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

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

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

During the year ended 31 December 2011, a principal amount of HK\$10,000 of the 2008 Bonds was converted. As elected by the 2008 Bonds Issuer, the conversion was settled by the issuance of 2,770 units of Champion REIT pursuant to the terms and conditions of the 2008 Bonds. In addition, the 2008 Bond Issuer repurchased a total principal amount of HK\$55,000,000 of the 2008 Bonds at 119% of its principal amounts and resulted in a gain of HK\$1,895,000 recognised in the profit or loss. The repurchased 2008 Bonds were cancelled on 9 December 2011. As at 31 December 2011, the principal amount of 2008 Bonds was HK\$4,604,990,000 (2010: HK\$4,660,000,000).

As at 31 December 2011, Great Eagle, a significant unitholder, through its directly wholly-owned subsidiary, Bright Form Investments Limited, held an aggregate principal amount of HK\$2,340,000,000 of the 2008 Bonds (2010: HK\$2,340,000,000).

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

As at 31 December 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 as follows:

	2011	2010	
	2008 Bonds	2006 Bonds	2008 Bonds
Unit price	HK\$2.92	HK\$4.59	HK\$4.59
Risk-free rate of interest	0.30%	0.33%	0.83%
Dividend yield	7.13%	4.64%	4.64%
Historical volatility (with similar time to maturity)	45.00%	19.72%	41.05%

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

23. Convertible Bonds (continued)

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

	2011 HK\$'000	2010 HK\$'000
Liability components		
At the beginning of the year	5,896,323	5,603,082
Interest charged	344,988	355,141
Interest paid	(52,553)	(61,900)
Conversion during the year	(2,203)	–
Redemption during the year	(841,803)	–
Repurchase during the year	(62,707)	–
At the end of the year	5,282,045	5,896,323
Derivative components		
At the beginning of the year	1,602,171	658,748
Change in fair value	(1,246,398)	943,423
Conversion during the year	(183)	–
Repurchase during the year	(4,913)	–
At the end of the year	350,677	1,602,171
Total convertible bonds	5,632,722	7,498,494

	2011 HK\$'000	2010 HK\$'000
The maturity of the bonds is as follows:		
Within one year	–	900,765
More than one year but not exceeding two years	5,632,722	–
More than two years but not exceeding five years	–	6,597,729
	5,632,722	7,498,494
Less: amount due within one year shown under current liabilities	–	(900,765)
Amount due after one year	5,632,722	6,597,729

24. Derivative Financial Instruments

	2011 HK\$'000	2010 HK\$'000
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 have the same terms and the Manager considered that the interest rate swaps are 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 that previously recognised in hedging reserve is released to consolidated income statement over the periods during which the variability of interest payment in relation to the secured term loan affects the consolidated income statement. During the year, release of such cumulative losses from the hedging reserve amounted to HK\$66,075,000 (2010: HK\$173,099,000).

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 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.

25. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2010, as restated	203,955	(92,811)	111,144
Charge to consolidated income statement during the year	71,197	40,414	111,611
As at 31 December 2010, as restated	275,152	(52,397)	222,755
Charge to consolidated income statement during the year	37,783	33,916	71,699
As at 31 December 2011	312,935	(18,481)	294,454

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

As at 31 December 2011, the Group has unutilised tax losses amounting to HK\$877,148,000 (2010: HK\$857,416,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$112,007,000 (2010: HK\$317,558,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$765,141,000 (2010: HK\$539,858,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

26. Issued Units

	Number of units	HK\$'000
Balance at 1 January 2010	4,823,534,789	20,651,833
Payment of Manager's fee through issuance of new units during the year (note (i))	43,316,507	159,223
Units issued under distribution reinvestment scheme (note (ii))	63,733,460	222,327
Balance at 31 December 2010	4,930,584,756	21,033,383
Payment of Manager's fee through issuance of new units during the year (note (i))	26,002,477	108,825
Units issued upon the conversion of convertible bonds (note 23)	2,770	13
Balance at 31 December 2011	4,956,590,003	21,142,221

Notes:

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

Issue date	Payment of the Manager's fees for the period	Issue price per unit determined based on the Trust Deed HK\$	Aggregate issue price HK\$'000	Number of units issued
In 2011				
8 March 2011	1.7.2010 to 31.12.2010	4.62	53,753	11,634,743
26 August 2011	1.1.2011 to 30.6.2011	3.833	55,072	14,367,734
			108,825	26,002,477
In 2010				
9 March 2010	1.7.2009 to 31.12.2009	3.59	99,912	27,830,682
31 August 2010	1.1.2010 to 30.6.2010	3.83	59,311	15,485,825
			159,223	43,316,507

- (ii) Details of units issued during the year ended 31 December 2010 under distribution reinvestment scheme (i.e. unitholders electing to receive scrip units in lieu of cash distribution) were as follows:

Issue date	Distribution period	Scrip price HK\$	Number of units issued
In 2010			
25 May 2010	1.7.2009 to 31.12.2009	3.4884	63,733,460

27. Major Non-Cash Transactions

- (i) During the year ended 31 December 2011, 26,002,477 (2010: 43,316,507) units were issued as payment for the Manager's fee, amounting to HK\$108,825,000 (2010: HK\$159,223,000).

In addition, during the year ended 31 December 2010, 63,733,460 units were issued in lieu of payment for the final distribution of year 2009 amounting to HK\$222,327,000 pursuant to the distribution reinvestment scheme.

- (ii) During the year ended 31 December 2011, 2,770 (2010: nil) units were issued upon the conversion of the 2008 Bonds.

- (iii) Additional accrual for stamp duty amounting to HK\$113,350,000 was provided in the year ended 31 December 2010.

28. Net Asset Value Per Unit

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2011 of HK\$38,755,567,000 (2010 (restated): HK\$33,141,907,000) by the number of units in issue of 4,956,590,003 (2010: 4,930,584,756) as at 31 December 2011.

29. Net Current Liabilities

At 31 December 2011, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$767,076,000 (2010: HK\$7,820,095,000).

30. Total Assets Less Current Liabilities

At 31 December 2011, the Group's total assets less current liabilities amounted to HK\$54,090,224,000 (2010: HK\$42,408,538,000).

31. Operating Lease Commitments

At 31 December 2011, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2011 HK\$'000	2010 HK\$'000
Within one year	1,660,691	1,453,933
In the second to fifth year inclusive	2,825,335	2,672,402
Over five years	20,665	218,801
	4,506,691	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\$64,188,000 (2010: HK\$41,324,000) was received for the year.

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

32. Connected and Related Party Transactions

During the year, in addition to those disclosed in note 23, the Group entered into the following transactions with connected and related parties:

	Notes	2011 HK\$'000	2010 HK\$'000
<i>Rental income</i>			
China Mobile Hong Kong Company Limited	(a)	227	223
Langham Hotels International Limited	(b)	10,348	9,626
Langham Place Hotel (HK) Limited	(b)	3,282	3,579
Main St. Cafe Hong Kong Company Limited	(b)	–	702
Strong Dynamic Limited	(b)	6,600	6,600
The Great Eagle Properties Management Company, Limited	(b)	3,954	3,636
The Great Eagle Company, Limited	(b)	–	26,000
Toptech Co. Limited	(b)	–	1,895
Eagle Asset Management (CP) Limited	(b)	394	394
Eagle Property Management (CP) Limited	(b)	2,825	2,752
HSBC Group ¹	(c)	44,470	45,860
<i>Interest income</i>			
HSBC Group ¹	(c)	2,930	594
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	2,952	3,045
The Great Eagle Properties Management Company, Limited	(b)	434	434
Langham Hotels International Limited	(b)	1,398	1,398
Langham Place Hotel (HK) Limited	(b)	542	542
Toptech Co. Limited	(b)	–	335
Main St. Cafe Hong Kong Company Limited	(b)	–	82
Eagle Property Management (CP) Limited	(b)	326	326
HSBC Group ¹	(c)	4,077	4,072
<i>Building management expenses and car park operating expenses</i>			
The Great Eagle Properties Management Company, Limited	(b)	154,915	154,573
Longworth Management Limited	(b)	30,621	30,621
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	51,177	50,986

32. Connected and Related Party Transactions (continued)

	Notes	2011 HK\$'000	2010 HK\$'000
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(b)	25,643	29,936
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	437	354
Toptech Co. Limited	(b)	638	172
Keysen Engineering Company, Limited	(b)	16	117
The Great Eagle Properties Management Company, Limited	(b)	4	4
Sun Fook Kong Housing Services Limited	(e)	–	5
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	1,158	1,628
Toptech Co. Limited	(b)	905	331
Keysen Engineering Company, Limited	(b)	116	346
The Great Eagle Properties Management Company, Limited	(b)	4	4
Sun Fook Kong Housing Services Limited	(e)	–	5
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	61	46
Grow On Development Limited (trade as Eaton Hotel Hong Kong)	(b)	–	25
Clever Gain Investment Limited (trade as Yat Tung Heen)	(b)	36	–
<i>Insurance fee</i>			
The Great Eagle Insurance Agency Limited	(b)	–	794
<i>Trust and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	9,442	8,292
HSBC Group ¹	(c)	68	69
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(b) & (f)	187,474	181,042
<i>Finance costs</i>			
Hang Seng Bank Limited ²	(c)	89,565	69,269
Bright Form Investments Limited ⁴	(b)	161,976	153,680
<i>Valuation fee</i>			
Knight Frank Petty Limited	(d)	355	350

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2011

32. Connected and Related Party Transactions (continued)

Balances with connected and related parties are as follows:

	Notes	2011 HK\$'000	2010 HK\$'000
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (g)	25,942	25,942
Longworth Management Limited	(b) & (g)	15,311	15,311
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	21,849	17,148
Eagle Asset Management (CP) Limited	(b) & (g)	95,689	87,425
Toptech Co. Limited	(b) & (g)	208	285
The Great Eagle Engineering Company Limited	(b) & (g)	434	1,132
The Great Eagle Properties Management Company, Limited	(b) & (g)	12,611	6,391
Keysen Engineering Company, Limited	(b) & (g)	69	251
The Great Eagle Company, Limited	(b) & (g)	1	–
Langham Place Hotel (HK) Limited	(b) & (g)	15	124
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
China Mobile Hong Kong Company Limited	(a)	39	37
Eagle Property Management (CP) Limited	(b) & (h)	–	10
The Great Eagle Properties Management Company, Limited	(b)	1,040	915
Strong Dynamic Limited	(b) & (i)	–	–
Langham Hotels International Limited	(b) & (j)	–	–
Langham Place Hotel (HK) Limited	(b) & (k)	15	15
HSBC Group ¹	(c)	9,072	9,078

32. Connected and Related Party Transactions (continued)

Notes:

- (a) This company is an associate³ of Dr. Lo Ka Shui (a non-executive director and the Chairman of the Manager 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) This company is 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 31 December 2011.
 - (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\$nil (2010: HK\$10,000) received as damage deposit, a bank guarantee of HK\$859,000 (2010: HK\$837,000) was received in lieu of deposit.
 - (i) A bank guarantee of HK\$2,585,000 (2010: HK\$2,585,000) was received in lieu of deposit.
 - (j) A bank guarantee of HK\$3,121,000 (2010: HK\$2,864,000) was received in lieu of deposit.
 - (k) In addition to HK\$15,000 (2010: HK\$15,000) received as damage deposit, a bank guarantee of HK\$1,154,000 (2010: HK\$1,154,000) 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 a term loan of HK\$7,000 million which was drawn down on 24 May 2011 and outstanding as at 31 December 2011 and a term loan and revolving credit facility of HK\$2,954 million (of which HK\$2,454 million term loan was drawn down on 3 June 2008 and outstanding as at 31 December 2011).
- ³ As defined in the Code.
- ⁴ The finance cost represents effective interest for the aggregate principal amount of HK\$2,340,000,000 of 2008 Bonds held by Bright Form Investments Limited as at 31 December 2011 and 2010.

Notes to the Consolidated Financial Statements

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33. Particulars of Subsidiaries of Champion REIT

The following subsidiaries are wholly-owned by Champion REIT as at 31 December 2011 and 2010.

Name	Issued and fully paid ordinary share capital	Principal activity
Incorporated in the British Virgin Islands and directly owned and controlled by Champion REIT:		
CP Finance (BVI) Limited	1 share of US\$1	Investment holding
CP Wealth (BVI) Limited *	1 share of US\$1	Investment holding
Cojoin Properties Limited	1 share of US\$1	Investment holding
East Power Limited	1 share of US\$1	Investment holding
Elvert Castle Holdings Limited	1 share of US\$1	Investment holding
Fuscastus Limited	1,000,000 shares of HK\$1 each	Investment holding
Harvest Star Limited	1 share of US\$1	Investment holding
Kewage Investments Limited	1 share of US\$1	Investment holding
Kingarley Investments Limited	1 share of US\$1	Investment holding
Portion A (BVI) Limited	1 share of US\$1	Investment holding
Portion B (BVI) Limited	1 share of US\$1	Investment holding
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
Bass Castle Investments Limited	1 share of US\$1	Investment holding
Best Noble Enterprises Limited	1 share of US\$1	Investment holding
Eagle Castle Holdings Limited	1 share of US\$1	Investment holding
Helon Castle Investments Limited	1 share of US\$1	Investment holding

* These subsidiaries were incorporated and commenced their business during the year ended 31 December 2011.

33. Particulars of Subsidiaries of Champion REIT (continued)

Name	Issued and fully paid ordinary share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	100 shares of HK\$10 each	Property investment
CP (A1) Limited	1 share of HK\$1	Property investment
CP (B1) Limited	1 share of HK\$1	Property investment
CP (MC) Limited	1 share of HK\$1	Property investment
CP (PH) Limited	1 share of HK\$1	Property investment
CP (SH) Limited	1 share of HK\$1	Property investment
CP (WC) Limited	1 share of HK\$1	Property investment
CP Finance Limited	1 share of HK\$1	Financing
CP (Portion A) Limited	2 shares of HK\$1 each	Property investment
CP (Portion B) Limited	2 shares of HK\$1 each	Property investment
CP Wealth Limited *	1 share of HK\$1	Provision of rental collection service
Elegant Wealth Limited	1 share of HK\$1	Property investment
Maple Court Limited	2 shares of HK\$1 each	Property investment
Panhy Limited	2 shares of HK\$1 each	Property investment
Renaissance City Development Company Limited	2 shares of HK\$10 each	Property investment
Shine Hill Development Limited	1,000,000 shares of HK\$1 each	Property investment
Treasure Source Limited	1 share of HK\$1	Debt securities issuer
Trump Treasure Limited	1 share of HK\$1	Financing
Well Charm Development Limited	2 shares of HK\$1 each	Property investment
Incorporated and operating in Cayman Islands and indirectly owned and controlled by Champion REIT:		
Ernest Limited	100 shares of US\$1 each	Investment holding
Fair Vantage Limited	1 share of US\$1	Debt securities issuer

* These subsidiaries were incorporated and commenced their business during the year ended 31 December 2011.

Performance Table

	2011	2010	2009	2008	2007
As at 31 December:					
Net asset value (HK\$'000)	38,755,567	33,141,907	28,254,537	24,270,940	20,340,235
Net asset value per unit (HK\$)	7.82	6.72	5.86	5.47	7.26
The highest traded price during the period (HK\$)	5.01	4.70	3.37	4.85	4.77
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\$)	2.65	3.23	1.56	1.31	3.69
The highest discount of the traded price to net asset value	66.11%	51.95%	73.37%	76.06%	49.18%
For the year ended 31 December:					
The distribution yield per unit ³	7.67%	4.71%	7.91%	15.30%	7.43%
The net profit/(loss) yield per unit ⁴	44.86%	23.46%	26.37%	-35.02%	30.38%

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 per unit. 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\$0.2241 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2011 over the traded price of HK\$2.92 as at 30 December 2011.
4. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2011 over the traded price of HK\$2.92 as at 30 December 2011.

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

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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

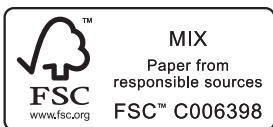
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