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**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))*  
**(Stock Code: 2778)**

managed by

**Eagle Asset Management**  
**Eagle Asset Management (CP) Limited**

## **2012 INTERIM RESULTS ANNOUNCEMENT**

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

## INTERIM RESULTS

The board of directors (“Board”) of Eagle Asset Management (CP) Limited (“REIT Manager”) as manager of Champion Real Estate Investment Trust (“Champion REIT” or “Trust”) is pleased to announce the financial results of the Trust for the six months ended 30 June 2012 (“Period”).

## FINANCIAL HIGHLIGHTS

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

	6 Months Ended 30 Jun 2012	6 Months Ended 30 Jun 2011	% Change
Total Revenue	<b>1,011</b>	950	+ 6.4 %
Property Operating Expenses	<b>181</b>	186	- 2.7 %
Net Property Income	<b>830</b>	765	+ 8.5 %
Profit After Tax	<b>1,267</b>	3,877	- 67.3%
Distributable Income	<b>642</b>	569	+ 12.8 %
Distribution Amount	<b>577</b>	518	+ 11.4 %
Distribution per Unit (HK\$)	<b>0.1161</b>	0.1045	+ 11.1%
Expense Ratio (%)	<b>17.9</b>	19.6	- 1.7 % <sup>1</sup>

	At 30 Jun 2012	At 31 Dec 2011	% Change
Gross Value of Portfolio	<b>55,800</b>	54,857	+ 1.7 %
Net Asset Value per Unit (HK\$)	<b>7.94</b>	7.82	+ 1.5 %
Gearing Ratio (%)	<b>24.5</b>	25.0	- 0.5 % <sup>1</sup>

### Notes

<sup>1</sup> Absolute change is used for figures stated in percentages.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

Gross Revenue for the six months ended 30 June 2012 was HK\$1,011 million, an increase of 6.4% compared to the same period a year ago. This improvement was driven by a steadier performance of Citibank Plaza and the continued growth at Langham Place Mall. While Central District office rents have been weakening due to the contraction of the banking sector, reduced average vacancy resulted in a HK\$27 million increase in revenue at Citibank Plaza. Income from Langham Place continued to grow as it maintained very high occupancy levels in both the Office Tower and the Mall. At the same time, turnover rental income from the Mall increased significantly on the back of strong sales growth of the tenants. Revenue contributed by Langham Place increased by HK\$33 million. Over the same period, Operating Expenses of the REIT decreased 2.7% to HK\$181 million mainly because of the smaller amount of leases expiring this year and hence lower leasing commissions. Consequently, Net Property Income grew more than Gross Revenue, increasing 8.5% to HK\$830 million.

The appraised value of the Trust's properties as of 30 June 2012 increased 1.7% from 31 December 2011 to HK\$55,800 million. As a result of this increase, the Gearing Ratio saw a corresponding improvement from 25.0% to 24.5%. Net Asset Value was HK\$7.94 per Unit as compared to HK\$7.82 per Unit at the end of 2011.

Profit After Tax was HK\$1,267 million for the Period, a drop of HK\$2,610 million or 67.3%, mainly due to lower net revaluation gains of only HK\$882 million as compared to HK\$3,636 million for the first half of last year. Excluding revaluation gains and other items that are non-cash in nature, Distributable Income for the Period was HK\$642 million, up 12.8% from the first half of 2011. The Distribution Amount, at a 90% distribution ratio, is HK\$577 million. The Distribution per Unit ("DPU") for the Period will be HK\$0.1161, up 11.1% from a year ago. An invitation has been issued to convert some of the REIT's outstanding convertible bonds. Upon conversion of these bonds, the number of unit outstanding will be increased by as much as 16%, resulting in a proportional reduction in DPU for 2012. Please refer to the Outlook section for further elaboration.

## Operational Review

	6 Months Ended 30 Jun 2012	6 Months Ended 30 Jun 2011	% Change
<b>Citibank Plaza</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	
Revenue	596,808	569,873	+ 4.7%
Operating Expenses	97,390	106,292	-8.4%
Net Property Income	499,418	463,581	+ 7.7%
<b>Langham Place Office</b>			
Revenue	128,882	126,392	+ 2.0%
Operating Expenses	24,995	25,500	- 2.0%
Net Property Income	103,887	100,892	+ 3.0%
<b>Langham Place Mall</b>			
Revenue	285,093	254,169	+ 12.2%
Operating Expenses	58,229	53,760	+ 8.3%
Net Property Income	226,864	200,409	+ 13.2%

### *Citibank Plaza*

The office leasing market in Central has remained soft in the first half of 2012. The European debt crisis remains a source of financial uncertainty at a time when banks are facing tightening capital requirements from the ongoing implementation of Basel III. This has resulted in the downsizing of space requirements by many major banks. While demand waned in the District, there continued to be no significant new supply of premium-grade office space. Thus incremental demand from new and upgrading Mainland-based Chinese companies, international mining companies and law firms building a presence in Hong Kong, has moderated the fall in overall occupancy in Central, which was around 95% at mid-year, although it has slipped below 90% for some individual buildings. Competition among landlords for tenants has intensified and rents have corrected by about 15% from the levels of year end 2011.

Occupancy at Citibank Plaza decreased from 90.4% at the beginning of the year to 88.7% as of 30 June 2012, following the relocation of some government departments to the new Government Headquarters and downsizing of several financial and legal tenants. Outstanding lease expiries in the second half of 2012 now stand at 5.7% of the total floor area.

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

Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12
85.15	85.36	85.83	85.83	85.98	85.68	86.10

Spot rents at Citibank Plaza are currently priced around HK\$85 per sq. ft. to support occupancy. While the average rent for leases expiring in 2012 of HK\$97.71 per sq. ft. is higher than the spot rent, there were a number of leases that commenced in the first half but were negotiated in 2011 when rent levels were still above HK\$100 per sq. ft. That has allowed the average passing rent at 30 June 2012 to rise slightly to HK\$86.10 per sq. ft.

Net Property Income at Citibank Plaza increased 7.7% year-on-year to HK\$499 million. Revenue increased from HK\$570 million for the first half of 2011 to HK\$597 million for 2012. This was largely driven by the increase in average occupancy, which increased from 86.6% to 88.5% for the first half. Rental commissions fell from HK\$21.8 million to HK\$6.1 million due to the lower volume of new leasing done during the Period which allowed total property operating expenses decrease by 8.4% year-on-year.

***Langham Place Office Tower***

The occupancy rate increased from 96.8% as of 31 December 2011 to 98.0% at mid-year 2012. The resilience of the economy outside of the financial sector has sustained demand for office space across all office districts on the Kowloon Peninsula. The vacant stock in East Kowloon has been largely absorbed and rents there have firmed up significantly. Consequently, rents in other parts of Kowloon have continued to move up in the first half of 2012.

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

Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12
27.43	27.48	27.51	27.57	28.06	28.06	28.09

Spot rents at the Langham Place Office Tower have been kept steady at the HK\$32-38 per sq. ft. range, though recent transactions have been done closer to the upper end of that range. Passing rents have been rising steadily since 2010 and continued to do so during the Period as lower rents previously contracted reverted to the market.

Revenue at the Office Tower was HK\$129 million, compared to HK\$126 million for the corresponding period in 2011. Operating expenses were stable at HK\$25 million and Net Property Income grew in line with revenue, from HK\$101 million to HK\$104 million.

**Langham Place Mall**

The Mall continued to enjoy very high levels of foot traffic and remained virtually fully let at mid-year 2012. The focus of the Mall on mid-price fashion has allowed it to outperform the HK-wide retail market during the Period. The Mall has so far not been affected by the recent slowdown in spending on luxury items by mainland visitors. Driven by a constantly improving mix of quality retailers, average sales per sq. ft. for tenants at the Mall for the first half grew 16.4% year-on-year. The leading segment within the mall was Beauty and Skincare which saw sales growth of 27.4%.

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

Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12
100.77	100.77	100.97	102.02	102.12	102.56	102.65

Demand for retail space from new tenants has remained strong, giving the landlord considerable pricing power. The average Passing Rent Rate increased from HK\$100.77 at the end of 2011 to HK\$102.65 per sq. ft. as of June 2012. A year ago in June 2011, the passing rent rate was HK\$98.48 per sq. ft. In spite of increases in base rents for some tenants upon lease renewal, there has been little erosion in turnover rents. To the contrary, turnover rents for the first half of 2012 increased by 75% year-on-year from HK\$22.6 million to HK\$39.5 million. That was an indication that tenant sales growth has outpaced the increase in base rents. Turnover rents for the first half of 2012 were an additional HK\$20.64 per sq. ft. on top of the passing rent, as compared to HK\$11.82 per sq. ft. a year ago.

Revenue increased by 12.2% from HK\$254 million to HK\$285 million. This was a reflection of the follow-on effect of rent rate increases on leases rolled over in the second half of 2011. A 20% increase in roadshow and other rental related income also contributed HK\$9 million to the improvement. Operating expenses were up HK\$4.4 million to HK\$58.2 million for the Period but the increase of 8.3% was lower than the revenue growth. Net Property Income as a result increased by 13.2% from HK\$200 million to HK\$227 million.

## **Outlook**

The remainder of 2012 will continue to pose challenges for our leasing activities at Citibank Plaza. The debt crisis in Europe has shown no signs of early resolution and will continue to dampen global economic growth. At the same time growth in China has been slowing at a faster than expected pace. Over the coming months, reduced space requirements and decentralization by the banking industry will continue to affect the Central office market. The dearth in supply of new office space in Central and incremental demand from smaller users should however help to lessen the impact. Though less than 6% of the floor area in Citibank Plaza will see their leases expire over the rest of the year, we will continue our flexibility with leasing terms to upkeep occupancy in an increasingly competitive market.

Outside of Central rents have remained firm so far. At Langham Place we expect continued high levels of occupancy for the Office Tower. While there exists a gap between passing and market rents that can be closed over time, there is minimal space expiring for the rest of 2012 and rental income from the office portion of Langham Place is expected to remain relatively steady in the second half of the year. Next year, 51% of the floor area will be expiring in addition to a further 10% undergoing rent review. By then, we should begin to see the monetization of the rental gap into higher revenue. Nonetheless, there is always the possibility that the slow pace of economic growth in China may eventually curtail demand for office space from the non-financial sectors. We will therefore maintain a prudent pricing strategy to safeguard the occupancy at the Office Tower.

With its excellent location, its ever-improving tenant mix and successful marketing campaigns, Langham Place Mall has remained a location of choice for popular cosmetics brands and mid-priced fashion and accessory retailers. The Mall's emphasis on the younger demographic with increasing spending power has allowed tenant sales to continue expanding at a respectable pace in spite of a general deceleration in HK retail sales growth. All leases

expiring in 2012 have been rolled over but as leases are renewed ahead of time, new contracts with generally higher rents covering 18% of the floor area have yet to come into effect in the first half. Their positive impact on income will be seen in the second half. Revenue should also be higher in the second half when turnover rents are usually higher because of seasonality. Thus we should continue to see growth in rental income at the Mall in the second half.

In the past 18 months, the liquidity in the Hong Kong syndicated bank lending market has tightened considerably and financing costs have increased. In view of the volatility of the global financial markets, it would be prudent for us to plan early for an anticipated refinancing requirement of HK\$8,161 million in 2013. Part of this debt due in 2013 is a principal amount of HK\$4,605 million of convertible bonds. After factoring in the redemption premium at maturity that bondholders are entitled to, these bonds would not normally convert below a unit price of HK\$4.27. To optimize Champion REIT's capital structure, an invitation has been issued to bondholders to convert up to a principal amount of HK\$2,750 million in exchange for an incentive payment of HK\$2,215 for each HK\$10,000 in principal amount of the Bonds converted under the invitation. The invitation will cost approximately HK\$609 million if it is fully accepted but will reduce overall debt and raise equity for the REIT, reducing gearing from 24.5% to 19.9%. In particular, the quantum required for refinancing debt maturing in 2013 will be significantly reduced, placing Champion REIT in a better position to secure more favourable borrowing terms in 2013. However, the number of unit outstanding will be increased by approximately 16%, resulting in a proportional reduction in DPU for 2012. This impact to DPU is immediate, but savings in interest expense will only be felt in 2013 and after. For further details, please refer to the separate announcement regarding the invitation issued on the same date as this announcement.

The present problems in the world financial markets could create uncertainties in the Hong Kong office and retail markets. However, based on the low level of office expiries for the remainder of 2012 and the relatively bright prospects of Langham Place Mall, we expect the property income of the REIT to show further improvement in the second half of the year.



## VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Savills Valuation and Professional Services Limited on 26 July 2012, the valuation of the properties of Champion REIT broken down by usage as of 30 June 2012 is as follows:

	Citibank Plaza	Langham Place	Sub-total
Jun 2012 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	35,267	6,648	41,915
Retail	407	12,546	12,953
Car Park	281	225	506
Miscellaneous	300	126	426
<b>Total</b>	<b>36,255</b>	<b>19,545</b>	<b>55,800</b>

Champion REIT's property portfolio is now valued at HK\$55.8 billion, an increase of HK\$0.94 billion from the December 2011 valuation of HK\$54.86 billion. The capitalization rate used to value Citibank Plaza has been decreased from 4.0% to 3.5% based on recent transactions of Grade A office properties in Central. However, projected rents of Citibank Plaza have been reduced since the last valuation largely offsetting the change in capitalization rate, resulting in 0.5% decrease in the appraised value of Citibank Plaza. The capitalization rate used to value the Langham Place Office Tower was reduced from 4.2% to 4.1% resulting in a 2.4% increase in appraised value. The capitalization rate used to value the Langham Place Mall remained unchanged at 4.1%, but rental assumptions have improved resulting in an 8.1% increase in appraised value.

## **FINANCIAL REVIEW**

### **Distributions**

#### *Distribution Amount*

The Distribution Amount of Champion REIT for the Period was HK\$577,384,000, calculated as 90% of Champion REIT's total available distributable income of HK\$641,538,000.

For the same period last year, the Distribution Amount of Champion REIT was HK\$517,955,000, calculated as 90% of Champion REIT's total distributable income of HK\$568,784,000 plus additional amount of HK\$6,050,000 at the discretion of REIT Manager.

#### *Distribution per Unit*

The distribution per unit for the Period was HK\$0.1161. This represents an annualized distribution yield of 7.2% based on the closing price of HK\$3.21 as at 29 June 2012. Such distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2012 and the record date, including but not limited to the issuance of conversion units pursuant to the outstanding invitation to Bondholders to convert their bonds. Assuming the maximum amount of HK\$2,750 million of bonds under the invitation is converted, the interim distribution per unit will be adjusted to HK\$0.1000. A further announcement will be made to inform unitholders of the actual distribution per unit for the Period.

### **Debt Profile**

As at 30 June 2012, total outstanding borrowings of the Trust amounted to HK\$14,059 million. The total borrowings comprised:

- HK\$2,454 million term loan which is repayable in full in June 2013
- HK\$4,605 million convertible bonds in principal amount which will mature in June 2013
- HK\$7,000 million term loan which is repayable in full in May 2014

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

	30 Jun 2012	
	HK\$ million	% of total
Due in year 2013	7,059	50.2
Due in year 2014	7,000	49.8
<b>Total</b>	<b>14,059</b>	<b>100.0</b>

As a first step of the refinancing arrangement for the term loan and convertible bonds that are falling due in 2013, the Trust through Fair Vantage Limited, the issuer of HK\$4,680,000,000 1 per cent Guaranteed Convertible Bonds due 2013, is inviting its bondholders (the "Bondholders") to convert their bonds into Units. Bondholders accepting the invitation will receive an incentive payment of HK\$2,215 for each HK\$10,000 in principal amount of the Bonds so converted. Please refer to the separate announcement as of today for the details of the invitation. Upon the completion of the invitation, the Trust will arrange the refinancing of the remaining quantum in due course.

As at 30 June 2012, the outstanding convertible bonds have the following features:

Features	
Principal amount	HK\$4,605 million
Coupon rate	1% per annum
Maturity date	3 June 2013
Redemption price	123.94%
Latest conversion price	HK\$3.44

As at 30 June 2012, all bank loans of the Trust, representing 67% of the Trust's total debt, were on floating-rate basis. The REIT Manager will monitor interest rate movements and may, depending on market conditions, consider putting in place interest rate swap arrangements in respect of the loan facilities in place.

The valuation of the Trust's investment properties at 30 June 2012 was appraised at HK\$55,800 million, representing a 1.7% appreciation from HK\$54,857.3 million achieved at 31 December 2011. Consequently, the Gearing Ratio, or total borrowings as a percentage of gross assets was decreased slightly to 24.5% as at 30 June 2012 as compared to 25% as at 31

December 2011. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 31.1%.

### **Net Assets Attributable To Unitholders**

Driven primarily by an increase in the fair value of investment properties, Net Assets Attributable to Unitholders was HK\$39,502.3 million or HK\$7.94 per Unit as at 30 June 2012, increased by HK\$746.7 million or HK\$0.12 per Unit as compared to the value of HK\$38,755.6 million or HK\$7.82 per unit as at 31 December 2011. The Net Asset Value per Unit of HK\$7.94 represented a 147.4% premium to the closing unit price of HK\$3.21 as at 29 June 2012.

### **Cash Position**

As at 30 June 2012, Champion REIT had total undrawn bank loan facilities of HK\$500 million (31 December 2011: HK\$500 million) and a cash balance of HK\$1,370.4 million (31 December 2011: HK\$1,292.8 million). Currently, investment properties of Champion REIT with a fair value of HK\$5,839 million as at 30 June 2012 are free of encumbrances. This will facilitate additional financing if necessary. Taking into consideration the financial resources available to the REIT, Champion has sufficient liquid assets to satisfy its working capital and operating requirements.

### **Pledge Assets**

As at 30 June 2012, investment properties of Champion REIT with a fair value of HK\$49,961 million (31 December 2011: HK\$49,072.3 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were mortgaged to the bond trustee to secure the obligations of the issuer of the convertible bonds or pledged to secure the banking facilities granted to the REIT.

### **Commitments**

As at 30 June 2012, the Trust did not have any significant commitments.

## NEW UNITS ISSUED

As at 30 June 2012, the total number of issued Units of Champion REIT was 4,973,275,011. As compared with the position of 31 December 2011, a total of 16,685,008 new Units were issued during the period. On 6 March 2012, 16,685,008 new Units were issued to the REIT Manager at the price of HK\$3.441 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 60% of the Manager's Fee of approximately HK\$57,413,000 for the second half of 2011.

## REAL ESTATE SALE AND PURCHASE

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

## MANAGERS AND EMPLOYEES

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself. The properties of the Trust are managed by various operating entities, including the REIT Manager, the Property Manager, and the DMC/Estate Managers etc. The following table summarizes the personnel establishment of the respective operating entities in connection with the operations of the properties of the Trust as of 30 June 2012:

Area of Operation	Locations		
	Citibank Plaza	Langham Place	Others
General management	-	-	13
Leasing	4	12	-
Marketing and promotion	-	9	-
Property management	60	148	-
Contractors/technical staff	132	301	-
<b>Total</b>	<b>196</b>	<b>470</b>	<b>13</b>

## 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.

Champion REIT is a collective investment scheme authorised by the Securities and Futures Commission (the “SFC”) under section 104 of the Securities and Futures Ordinance (“SFO”) and regulated by the SFC pursuant to the provisions of the SFO and the Code on Real Estate Investment Trusts issued by the SFC (the “REIT Code”) and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The REIT Manager also 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.

During the six months ended 30 June 2012, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed of Champion REIT, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012.

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

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

## **PURCHASE, 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 3 May 2012. During the six months ended 30 June 2012, neither the Manager nor any of Champion REIT's special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

During the six months ended 30 June 2012, there was no purchase, sale or redemption by the Manager or any of Champion REIT's special purpose vehicles of the HK\$4,680,000,000 1% Coupon Guaranteed Convertible Bonds due 2013 issued in 2008 by Fair Vantage Limited, a special purpose vehicle of Champion REIT.

## **PUBLIC FLOAT**

As far as the REIT Manager is aware, as at the date of this announcement, 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 INTERIM RESULTS**

The unaudited interim results for the six months ended 30 June 2012 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager, and by the Trust's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **ISSUANCE OF INTERIM REPORT**

The Interim Report of Champion REIT for the six months ended 30 June 2012 will be despatched to Unitholders and published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and Champion REIT ([www.ChampionReit.com](http://www.ChampionReit.com)) on or before 31 August 2012.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises four Non-executive Directors, namely Dr. Lo Ka Shui (Chairman), Mr. Cheng Wai Chee, Christopher, Mr. Ho Shut Kan and Mr. Lo Kai Shui; one Executive Director, Mr. Lee Ching Ming, Adrian (Chief Executive Officer) and three Independent Non-executive Directors, namely Mr. Cha Mou Sing, Payson, Mr. Shek Lai Him, Abraham and Mr. Ip Yuk Keung, Albert.

By Order of the Board  
**Eagle Asset Management (CP) Limited**  
(as manager of **Champion Real Estate Investment Trust**)  
**Lo Ka Shui**  
*Chairman*

Hong Kong, 13 August 2012



## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	<u>NOTES</u>	<u>2012</u> <b>HK\$'000</b> <b>(unaudited)</b>	<u>2011</u> <b>HK\$'000</b> <b>(unaudited)</b>
Rental income	4	<b>915,219</b>	860,434
Building management fee income		<b>85,931</b>	81,940
Rental related income		<b>9,633</b>	8,060
<b>Total revenue</b>		<b>1,010,783</b>	950,434
Property operating expenses	5	<b>(180,614)</b>	(185,552)
<b>Net property income</b>		<b>830,169</b>	764,882
Interest income		<b>5,090</b>	4,084
Manager's fee	6	<b>(99,620)</b>	(91,786)
Trust and other expenses		<b>(7,210)</b>	(8,288)
Increase in fair value of investment properties		<b>938,451</b>	3,299,400
Change in fair value of derivative components of convertible bonds		<b>(56,689)</b>	336,169
Change in fair value of rental stabilisation arrangement		-	17
Gain on settlement of convertible bonds		-	219
Finance costs	7	<b>(234,641)</b>	(347,763)
<b>Profit before tax and distribution to unitholders</b>	8	<b>1,375,550</b>	3,956,934
Income taxes	9	<b>(108,873)</b>	(79,759)
<b>Profit for the period, before distribution to unitholders</b>		<b>1,266,677</b>	3,877,175
Distribution to unitholders		<b>(577,384)</b>	(517,955)
<b>Profit for the period, after distribution to unitholders</b>		<b>689,293</b>	3,359,220
<b>Basic earnings per unit</b>	12	<b>HK\$0.25</b>	HK\$0.78
<b>Diluted earnings per unit</b>	12	<b>HK\$0.25</b>	HK\$0.58

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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	<u>2012</u> <b>HK\$'000</b> <b>(unaudited)</b>	<u>2011</u> <b>HK\$'000</b> <b>(unaudited)</b>
<b>Profit for the period, after distribution to unitholders</b>	<u><b>689,293</b></u>	<u>3,359,220</u>
Cash flow hedges:		
Gain arising during the period	-	59,353
Reclassification adjustments for amounts recognised in profit or loss	-	63,019
	<u>-</u>	<u>122,372</u>
<b>Total comprehensive income for the period</b>	<u><u><b>689,293</b></u></u>	<u><u>3,481,592</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2012**

	<u>NOTES</u>	At 30 June <u>2012</u> HK\$'000 (unaudited)	At 31 December <u>2011</u> HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties		<u>55,800,000</u>	<u>54,857,300</u>
<b>Current assets</b>			
Trade and other receivables	13	175,781	180,034
Tax recoverable		1,671	1,798
Bank balances and cash		<u>1,370,434</u>	<u>1,292,752</u>
Total current assets		<u>1,547,886</u>	<u>1,474,584</u>
Total assets		<u>57,347,886</u>	<u>56,331,884</u>
<b>Current liabilities</b>			
Trade and other payables	14	1,149,820	1,169,976
Deposits received		414,384	405,131
Tax liabilities		115,828	73,988
Distribution payable		577,384	592,565
Secured term loans		2,451,021	-
Convertible bonds		<u>5,834,761</u>	<u>-</u>
Total current liabilities		<u>10,543,198</u>	<u>2,241,660</u>
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Secured term loans		6,966,835	9,407,481
Convertible bonds		-	5,632,722
Deferred tax liabilities		<u>335,580</u>	<u>294,454</u>
Total non-current liabilities, excluding net assets attributable to unitholders		<u>7,302,415</u>	<u>15,334,657</u>
Total liabilities, excluding net assets attributable to unitholders		<u>17,845,613</u>	<u>17,576,317</u>
Net assets attributable to unitholders		<u>39,502,273</u>	<u>38,755,567</u>
<b>Number of units in issue ('000)</b>	15	<u>4,973,275</u>	<u>4,956,590</u>
<b>Net asset value per unit</b>	16	<u>HK\$7.94</u>	<u>HK\$7.82</u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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**1. GENERAL**

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

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

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

**2. PRINCIPAL ACCOUNTING POLICIES**

Basis of preparation

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

Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In prior year, the Group early adopted the Amendments to HKAS 12 "Income Taxes" in respect of the recognition of deferred tax on investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" and are presumed to be recovered through sale. In the current interim period, the Group has applied, for the first time, other amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for current interim period.

## 2. PRINCIPAL ACCOUNTING POLICIES - continued

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied other new and revised HKFRSs that have been issued but not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>1</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

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

## 3. SEGMENT INFORMATION

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

### Segment revenue and results

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

3. SEGMENT INFORMATION - continued

Segment revenue and results - continued

For the six months ended 30 June 2012

	<b>Citibank Plaza HK\$'000 (unaudited)</b>	<b>Langham Place HK\$'000 (unaudited)</b>	<b>Consolidated HK\$'000 (unaudited)</b>
<b>Segment revenue</b>	<u>596,808</u>	<u>413,975</u>	<u>1,010,783</u>
<b>Segment results - Net property income</b>	<u>499,418</u>	<u>330,751</u>	830,169
Interest income			5,090
Manager's fee			(99,620)
Trust and other expenses			(7,210)
Increase in fair value of investment properties			938,451
Change in fair value of derivative components of convertible bonds			(56,689)
Finance costs			(234,641)
<b>Profit before tax and distribution to unitholders</b>			<u>1,375,550</u>
Income taxes			(108,873)
<b>Profit for the period, before distribution to unitholders</b>			<u>1,266,677</u>
Distribution to unitholders			(577,384)
<b>Profit for the period, after distribution to unitholders</b>			<u>689,293</u>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>			
Manager's fee	(59,930)	(39,690)	(99,620)
(Decrease) increase in fair value of investment properties	<u>(187,049)</u>	<u>1,125,500</u>	<u>938,451</u>

### 3. SEGMENT INFORMATION - continued

#### Segment revenue and results - continued

For the six months ended 30 June 2011

	Citibank Plaza HK\$'000 (unaudited)	Langham Place HK\$'000 (unaudited)	<u>Consolidated</u> HK\$'000 (unaudited)
<b>Segment revenue</b>	<u>569,873</u>	<u>380,561</u>	<u>950,434</u>
<b>Segment results - Net property income</b>	<u>463,581</u>	<u>301,301</u>	764,882
Interest income			4,084
Manager's fee			(91,786)
Trust and other expenses			(8,288)
Increase in fair value of investment properties			3,299,400
Change in fair value of derivative components of convertible bonds			336,169
Change in fair value of rental stabilisation arrangement			17
Gain on settlement of convertible bonds			219
Finance costs			<u>(347,763)</u>
<b>Profit before tax and distribution to unitholders</b>			3,956,934
Income taxes			<u>(79,759)</u>
<b>Profit for the period, before distribution to unitholders</b>			3,877,175
Distribution to unitholders			<u>(517,955)</u>
<b>Profit for the period, after distribution to unitholders</b>			<u>3,359,220</u>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>			
Manager's fee	(55,630)	(36,156)	(91,786)
Increase in fair value of investment properties	<u>2,527,900</u>	<u>771,500</u>	<u>3,299,400</u>

### 3. SEGMENT INFORMATION - continued

#### Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2012, the fair values of Citibank Plaza and Langham Place were HK\$36,255,000,000 (31.12.2011: HK\$36,437,800,000) and HK\$19,545,000,000 (31.12.2011: HK\$18,419,500,000), respectively.

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

### 4. RENTAL INCOME

	<u>2012</u> HK\$'000 (unaudited)	<u>2011</u> HK\$'000 (unaudited)
Rental income	899,905	846,280
Car park income	<u>15,314</u>	<u>14,154</u>
	<u>915,219</u>	<u>860,434</u>

### 5. PROPERTY OPERATING EXPENSES

	<u>2012</u> HK\$'000 (unaudited)	<u>2011</u> HK\$'000 (unaudited)
Building management expenses	95,515	89,332
Car park operating expenses	3,952	4,159
Government rent and rates	33,408	30,139
Legal cost and stamp duty	1,205	3,115
Promotion expenses	4,844	4,848
Property and lease management service fee	27,532	25,683
Property miscellaneous expenses	968	1,056
Rental commission	10,896	26,393
Repairs and maintenance	<u>2,294</u>	<u>827</u>
	<u>180,614</u>	<u>185,552</u>



## 6. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2012 and 2011, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2012 and 2011 as remuneration.

	<u>2012</u> HK\$'000 (unaudited)	<u>2011</u> HK\$'000 (unaudited)
<b>Manager's fee:</b>		
In the form of units	59,772	55,072
In the form of cash	39,848	36,714
	<u>99,620</u>	<u>91,786</u>

Pursuant to election allowed by the Trust Deed on 14 January 2011, 60% of Manager's fee for the six months ended 30 June 2012 and 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.

## 7. FINANCE COSTS

	<u>2012</u> HK\$'000 (unaudited)	<u>2011</u> HK\$'000 (unaudited)
<b>Finance costs represent:</b>		
Interest expense on bank borrowings wholly repayable within five years	65,350	101,087
Interest expense on convertible bonds wholly repayable within five years	168,375	179,586
Release of cumulative loss on hedging instrument	-	66,074
Other borrowing costs	916	1,016
	<u>234,641</u>	<u>347,763</u>

## 8. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2012</u> HK\$'000 (unaudited)	<u>2011</u> HK\$'000 (unaudited)
<b>Profit before tax and distribution to unitholders has been arrived at after charging:</b>		
Auditor's remuneration	1,029	1,329
Trustee's fee	4,889	4,584
Principal valuer's fee	80	120
Other professional fee and charges	859	2,189
Roadshow and public relations expenses	32	8
Bank charges	66	55
	<u>66</u>	<u>55</u>

## 9. INCOME TAXES

	<u>2012</u> HK\$'000 (unaudited)	<u>2011</u> HK\$'000 (unaudited)
<b>Hong Kong Profits Tax:</b>		
<b>Current tax</b>		
- Current year	67,747	29,371
<b>Deferred tax</b>		
- Current year	<u>41,126</u>	<u>50,388</u>
	<u><b>108,873</b></u>	<u><b>79,759</b></u>

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

## 10. TOTAL DISTRIBUTABLE INCOME

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

	<u>2012</u> HK\$'000 (unaudited)	<u>2011</u> HK\$'000 (unaudited)
<b>Profit for the period, before distribution to unitholders</b>	<b>1,266,677</b>	3,877,175
Adjustments:		
Manager's fees payable in units	59,772	55,072
Increase in fair value of investment properties	(938,451)	(3,299,400)
Change in fair value of derivative components of convertible bonds	56,689	(336,169)
Change in fair value of rental stabilisation arrangement	-	(17)
Non-cash gain	-	(741)
Non-cash finance costs	155,725	222,476
Deferred tax	<u>41,126</u>	<u>50,388</u>
<b>Total distributable income</b>	<u><b>641,538</b></u>	<u><b>568,784</b></u>

## 11. DISTRIBUTION STATEMENT

	<u>2012</u> <b>HK\$'000</b> (unaudited)	<u>2011</u> HK\$'000 (unaudited)
<b>Total distributable income (note 10)</b>	<b>641,538</b>	568,784
Percentage of distributable income for distribution (note (i))	<b>90%</b>	90%
Distributable income for Interim Distribution Period	<b>577,384</b>	511,905
Additional amount (note (i))	-	6,050
<b>Total distribution amount to be paid</b>	<b>577,384</b>	517,955
<b>Distribution per unit to unitholders (note (ii))</b>	<b>HK\$0.1161</b>	HK\$0.1045

Notes:

- (i) It is the policy of the Manager to distribute 90% (1.1.2011 to 30.6.2011: 90%) of available distributable income as the distributions for the six months ended 30 June 2012 (the "Interim Distribution Period"). For the Interim Distribution Period in 2011, an additional amount of HK\$6,050,000 was distributed at the discretion of the Manager for the amount received according to the rental stabilisation arrangement previously entered into by the Group.
- (ii) The interim distribution per unit of HK\$0.1161 for the six months ended 30 June 2012 is calculated based on the interim distribution to be paid of HK\$577,384,000 for the period and 4,973,275,011 units in issue as at 30 June 2012. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 24 September 2012, which is the record date set for such period. The interim distribution will be paid to unitholders on or around 9 October 2012.

The interim distribution per unit of HK\$0.1045 for the six months ended 30 June 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 interim distribution was paid to unitholders on 3 October 2011.

## 12. BASIC AND DILUTED EARNINGS PER UNIT

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

	<u>2012</u> <b>HK\$'000</b> (unaudited)	<u>2011</u> HK\$'000 (unaudited)
<b>Earnings</b>		
Profit for the period, before distribution to unitholders for the purpose of basic earnings per unit	<b>1,266,677</b>	3,877,175
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	-	173,930
Change in fair value of derivative components of convertible bonds	-	(336,169)
Gain on settlement of convertible bonds	-	(219)
<b>Profit for the period, before distribution to unitholders for the purpose of diluted earnings per unit</b>	<u><b>1,266,677</b></u>	<u>3,714,717</u>
	<u><b>2012</b></u> (unaudited)	<u>2011</u> (unaudited)
<b>Number of units</b>		
Weighted average number of units for the purpose of basic earnings per unit	<b>4,971,945,796</b>	4,941,101,646
Effect of dilutive potential units:		
Convertible bonds	-	1,432,558,288
<b>Weighted average number of units for the purpose of diluted earnings per unit</b>	<u><b>4,971,945,796</b></u>	<u>6,373,659,934</u>

For the six months ended 30 June 2012, the computation of diluted earnings per unit did not assume the units to be issued in respect of the conversion of outstanding convertible bonds since such conversion would result in an increase in earnings per unit.

### 13. TRADE AND OTHER RECEIVABLES

	At 30 June <u>2012</u> HK\$'000 (unaudited)	At 31 December <u>2011</u> HK\$'000 (audited)
Trade receivables	9,549	16,788
Deferred rent receivables	115,724	112,445
Deposits, prepayments and other receivables	50,508	50,801
	<u>175,781</u>	<u>180,034</u>

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

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

	At 30 June <u>2012</u> HK\$'000 (unaudited)	At 31 December <u>2011</u> HK\$'000 (audited)
0 - 3 months	<u>9,549</u>	<u>16,788</u>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$9,549,000 (31.12.2011: HK\$16,788,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

### 14. TRADE AND OTHER PAYABLES

	At 30 June <u>2012</u> HK\$'000 (unaudited)	At 31 December <u>2011</u> HK\$'000 (audited)
Trade payables	39,077	64,124
Rental received in advance	11,701	18,251
Other payables	135,567	124,126
Accrued stamp duty	963,475	963,475
	<u>1,149,820</u>	<u>1,169,976</u>

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31.12.2011: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing.

#### 14. TRADE AND OTHER PAYABLES - continued

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

	At <b>30 June 2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	At 31 December <u>2011</u> HK\$'000 (audited)
0 - 3 months	<u><b>39,077</b></u>	<u>64,124</u>

#### 15. NUMBER OF UNITS IN ISSUE

	<u><b>Number of units</b></u>	<u><b>HK\$'000</b></u> <b>(unaudited)</b>
At 1 January 2012	4,956,590,003	21,142,221
Units issued for settlement of Manager's fee	<u>16,685,008</u>	<u>57,413</u>
<b>At 30 June 2012</b>	<u><b>4,973,275,011</b></u>	<u><b>21,199,634</b></u>

On 6 March 2012, 16,685,008 units at HK\$3.441 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2011 to 31 December 2011.

#### 16. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2012 of HK\$39,502,273,000 (31.12.2011: HK\$38,755,567,000) by the number of units in issue of 4,973,275,011 (31.12.2011: 4,956,590,003 units) as at 30 June 2012.

#### 17. NET CURRENT LIABILITIES

At 30 June 2012, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$8,995,312,000 (31.12.2011: HK\$767,076,000).

#### 18. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2012, the Group's total assets less current liabilities amounted to HK\$46,804,688,000 (31.12.2011: HK\$54,090,224,000).

**19. EVENTS AFTER THE END OF THE REPORTING PERIOD**

The 2008 Bonds Issuer will issue an invitation memorandum to all bondholders of the 2008 Bonds on 13 August 2012 inviting them to convert their bonds up to a maximum invitation amount of HK\$2,750,000,000 and to receive an incentive payment of HK\$2,215 for each HK\$10,000 principal amount of bonds converted. Details of the invitation memorandum is included in the announcement of Champion REIT dated 13 August 2012.

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