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# ChampionREIT

## 冠君產業信託

### **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

## **2017 FINAL RESULTS ANNOUNCEMENT**

*Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties. The Trust's focus is on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to 2.93 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Three Garden Road and Langham Place, one on each side of the Victoria Harbour.*

## FINAL 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 financial results of the Trust for the year ended 31 December 2017 (“**Year**” or “**Period**”).

## FINANCIAL HIGHLIGHTS

*For the year ended 31 December 2017*

	2017	2016	Change
<b>For the entire year</b>	<b>HK\$’ million</b>	<b>HK\$’ million</b>	
Total Rental Income <sup>1</sup>	2,431	2,299	+ 5.7%
Net Property Operating Expenses <sup>1</sup>	265	272	- 2.8%
Net Property Income	2,166	2,027	+ 6.9%
Profit After Tax	11,140	3,182	+ 250.1%
Distributable Income	1,487	1,408	+ 5.6%
Distribution Amount	1,413	1,331	+ 6.2%
Distribution per Unit (HK\$)	0.2426	0.2292	+ 5.8%

	2017	2016	Change
<b>As at 31 December</b>	<b>HK\$’ million</b>	<b>HK\$’ million</b>	
Gross Value of Portfolio	76,704	66,842	+ 14.8%
Net Asset Value per Unit (HK\$)	10.36	8.72	+ 18.8%
Gearing Ratio	18.9%	21.7%	- 2.8pp
Net Expense Ratio (entire year)	10.9%	11.8%	- 0.9pp
Payout Ratio (entire year)	95.0%	94.5%	+ 0.5pp

*1 Building Management Fee Income is directly offset against Building Management Fee Expenses instead of being classified as an income item.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Trust's distributable income reached another record high in 2017 after achieving stable rental income growth across all properties. Our office portfolio continued to deliver steady growth and the retail market also showed signs of recovery in the second half of 2017. For the year ended 31 December 2017, the Trust's distributable income increased by 5.6% to HK\$1,487 million (2016: HK\$1,408 million), while distribution per unit ("DPU") rose 5.8% to HK\$0.2426 (2016: HK\$0.2292).

Total rental income for 2017 recorded an increase of 5.7% to HK\$2,431 million (2016: HK\$2,299 million). Positive rental reversions for both Three Garden Road and Langham Place Office continued to generate stable income growth for our office portfolio. Despite March 2017's unfortunate escalator incident, Langham Place Mall benefitted from the improving retail environment, achieving steady rental income growth of 4.7%. Net property operating expenses of the Trust experienced a reduction of 2.8% to HK\$265 million. This was mainly due to savings in rental commissions paid as a result of our lower tenancy turnover and a decrease in net building management expenses. Net property income for 2017 increased by 6.9% to HK\$2,166 million (2016: HK\$2,027 million).

As at 31 December 2017, the Trust had succeeded in significantly mitigating its exposure to potential interest rate risks by increasing the proportion of its fixed rate debt to 50.0% (21.5% as at 31 December 2016). Coupled with the HIBOR hike, the higher fixed rate debt portion increased cash finance costs for 2017 to HK\$322 million, 15% higher than HK\$280 million for 2016. The growth in net property income compensated the increased cash finance costs, and resulted in 5.6% growth in distributable income to HK\$1,487 million for 2017 (2016: HK\$1,408 million).

The appraised value of the Trust's properties as at 31 December 2017 stood at HK\$76.7 billion, an increase of 14.8% over HK\$66.8 billion as at 31 December 2016. This increase was driven primarily by higher rental rate assumptions. Net asset value per unit as at 31 December 2017 was HK\$10.36, an increase of 18.8% when compared with HK\$8.72 for 31 December 2016. The Trust's gearing ratio decreased to 18.9% as at 31 December 2017 from 21.7% as at 31 December 2016.

The Trust actively looks for opportunities to enhance value for all unitholders. In July 2017, the Trust announced a possible disposal of its interest in Langham Place Office Tower. No offer has been received by the REIT Manager to date.

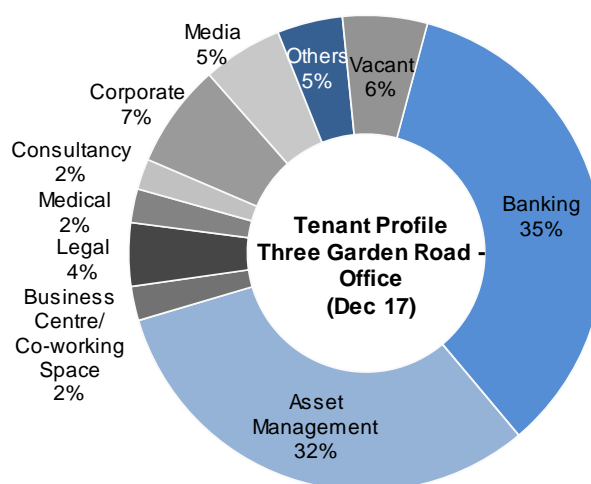
## OPERATIONAL REVIEW

### *Three Garden Road*

	2017	2016	Change
	HK\$'000	HK\$'000	
Rental Income	1,231,542	1,157,217	+ 6.4%
Net Property Operating Expenses	119,172	117,570	+ 1.4%
Net Property Income	1,112,370	1,039,647	+ 7.0%

While Hong Kong's economy and property sector continued to gain strength during 2017, Central office market momentum slowed as PRC tenants, which drove the demand for Central office space, adopted a wait-and-see attitude ahead of the National People's Congress in October 2017. Leasing activities picked up subsequently in the fourth quarter. Despite several multinational corporations deciding to relocate away from Hong Kong's Central business hub, the district's overall supply situation for 2017 remained tight. Eagerly filling spaces vacated by the departing multinationals, Chinese financial institutions and corporations continued to be Central's major office tenants.

In spite of softer demand in the second and third quarters, performance of Three Garden Road remained stable throughout 2017. As at 31 December 2017, occupancy at the property reached 94.2% (92.4% as at 30 June 2017). This improvement in occupancy was largely the result of Chinese financial institutions expanding in-house, relocating or setting up new operations. Encouragingly, average occupancy at the property stayed above 90% throughout 2017.



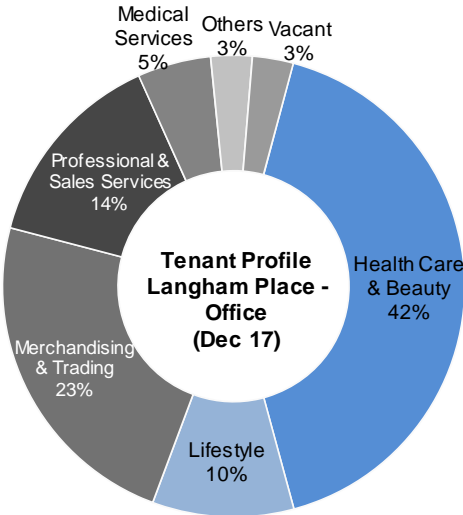
The property continued to achieve significant positive rental reversions in 2017 and drove rental income growth of 6.4% to reach HK\$1,232 million (2016: HK\$1,157 million). Passing rents surged 18.3% to HK\$92.52 per lettable sq. ft. from HK\$78.20 per lettable sq. ft. as at 31 December 2016. Market rents also experienced a gradual rise as leasing momentum improved. The latest leasing transaction has reached HK\$120 per lettable sq. ft..

Net property income for Three Garden Road during 2017 increased by 7.0% to HK\$1,112 million (2016: HK\$1,040 million) as a result of higher rentals. Net property operating expenses rose 1.4% to HK\$119 million. Reflecting lower tenancy turnover, decreased rental commissions at this property were offset by higher government rents and rates.

**Langham Place Office Tower**

	2017	2016	Change
	HK\$'000	HK\$'000	
Rental Income	343,939	324,743	+ 5.9%
Net Property Operating Expenses	25,728	29,643	- 13.2%
Net Property Income	318,211	295,100	+ 7.8%

Langham Place Office Tower’s prime location and top-quality construction and facilities ensured it remained a preferred address for leading lifestyle tenants. In 2017, this was especially true of companies in Hong Kong’s image-conscious beauty segment. With a view to ease the potential competition from decentralized office supply for traditional occupants, we put a greater focus on lifestyle tenants. Gratifyingly, many existing tenants at the property have also opted to expand gradually. At the end of 2017, the property’s proportion of lifestyle, healthcare and beauty segments had expanded to 52% of its tenant mix.



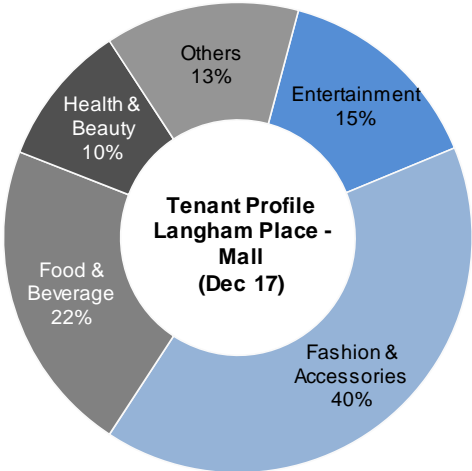
The property’s total rental income for 2017 rose 5.9% to HK\$344 million (2016: HK\$325 million). Positive rental reversions as well as higher rental from tenant mix rebranding continued to contribute to stable income growth. The latest achieved rents have surpassed HK\$50 per sq. ft. based on gross floor area. Occupancy levels as at 31 December 2017 also remained high at 97.1% and tenant negotiations regarding the rental of several available spaces have now reached an advanced stage.

Rental commissions at Langham Place Office Tower during 2017 decreased by HK\$5 million due to lower tenancy turnover, which drove down net property operating expenses from HK\$30 million to HK\$26 million. Net property income rose by 7.8% to reach HK\$318 million (2016: HK\$295 million).

**Langham Place Mall**

	2017	2016	Change
	HK\$’000	HK\$’000	
Rental Income	855,540	816,949	+ 4.7%
Net Property Operating Expenses	119,807	125,182	- 4.3%
Net Property Income	735,733	691,767	+ 6.4%

Buoyed by an improved local economy and rising tourist arrivals, Hong Kong’s retail market showed encouraging signs of a recovery in the second half of 2017. Tenant sales at Langham Place Mall were also experiencing a rebound until March 2017’s escalator incident sparked a mid-year slowdown. A special post-escalator incident promotion program helped minimize potentially negative fall out by bringing fresh experience to shoppers. Over the course of 2017, sales at Langham Place Mall increased by 5.3%, measurably outperforming the local retail market’s 2.2% sales again.



Nowadays, Hong Kong consumers value malls for the experience they promise rather than just the range of goods they offer. In order to enhance its visitors' satisfaction and establish itself as a community hub, Langham Place Mall once again introduced several "firsts" for Hong Kong's retail sector in 2017. The mall's many retail innovations included the opening of niche food and beverage stores, such as YiFang Taiwan Fruit Tea and Taoyuan Village. In addition to cutting-edge experimental events aimed at making shoppers' visits more memorable, such as collaborating with our popular tenant, LINE Friends, the mall also pioneered a hugely popular virtual reality promotion for Christmas 2017.

Langham Place Mall's total rental income for 2017 rose 4.7% to HK\$856 million (2016: HK\$817 million). Our active asset management strategy resulted in the significant growth of turnover rent while base rent remained stable. The record high turnover rent of HK\$116 million (2016: HK\$86 million) was driven by the solid sales performance of the mall's beauty and skincare segments. The average passing base rents for Langham Place Mall as at 31 December 2017 stood at HK\$176.71 per lettable sq. ft..

Net property operating expenses at the property for 2017 fell by 4.3% to HK\$120 million (2016: HK\$125 million). Despite the unexpected increase in property miscellaneous expenses following March 2017's escalator incident, the combined effects of increased income from building management fees and reduced improvement work expenses resulted in a HK\$8 million decline in net building management expenses. Net property income for 2017 rose 6.4% to HK\$736 million (2016: HK\$692 million).

## **OUTLOOK**

Key global economic data point towards a more optimistic outlook for the world's major markets in 2018. Accelerated growth in Mainland China's economy and RMB appreciation may also help boost the recovery of Hong Kong's retail sector. Together with the ongoing liberalization of its country's financial markets, the Chinese government's development of the Guangdong-Hong Kong-Macau Greater Bay Area could well reinforce Hong Kong's status as a leading Asian financial hub. Collectively, these trends should also help strengthen long-term demand for office space in the Central Business District.

The ongoing tight supply of Central office space should continue to benefit Central landlords in the year ahead. The decentralized office supply should not pose a major threat as the target segments are generally different from our office tenant mix. The occupancy of our office portfolio looks set to remain high. Given that spot rents are still below the passing rents for both Three Garden Road and Langham Place Office Tower, positive rental reversion should continue in the coming year.

The recovery of Hong Kong's retail sales in the second half of 2017 improved the operating environment for retailers, we are prudently optimistic of our prospects for 2018. With the emergence of experimental retail in the digital era, the Trust will continue to pioneer innovative ways to enrich Langham Place Mall's shopping experience.

Despite the improved global economic outlook, market uncertainties such as the possibility of future interest rate rises remain. As a result, the Trust will maintain its policy of prudently monitoring the market situation in order to mitigate the potential impact of any rise in interest rates. The Trust will also start planning the enhancing of its credit profile by refinancing debts scheduled to mature in 2019.

On property portfolio management, the Trust will keep exploring opportunities in rebalancing the property portfolio. We consider acquisition opportunities in Greater China given the development of the Guangdong-Hong Kong-Macau Greater Bay Area and the Belt and Road initiative.

The brighter economic outlook for 2018 means the Trust's existing property portfolio should continue to deliver stable rental income growth. That said, potential rises in interest rates may lead to higher finance costs and thus impact the Trust's DPU growth. As a result, we will continue to remain prudent when reviewing our portfolio and investigating sound strategic opportunities to benefit and optimize value for unitholders.

## VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Knight Frank Petty Limited on 5 February 2018, the appraised total value of Champion REIT properties, broken down by usage as at 31 December 2017 were:

	Three Garden Road	Langham Place	Sub-total
Dec 2017 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	44,632	9,450	54,082
Retail	600	20,510	21,110
Car Park	577	365	942
Miscellaneous	352	218	570
<b>Total</b>	<b>46,161</b>	<b>30,543</b>	<b>76,704</b>



As at 31 December 2017, the appraised value of the Trust's property portfolio stood at HK\$76.7 billion, a rise of 14.8% from HK\$66.8 billion as at December 2016. This increase was primarily driven by higher rental assumptions and the compression of capitalization rates at Langham Place Mall from 4.0% to 3.75%. The capitalization rates used to value Three Garden Road and Langham Place Office during 2017 remained unchanged at 3.6% and 4.0% respectively.

## **FINANCIAL REVIEW**

### **DISTRIBUTIONS**

Champion REIT's total distribution amount for 2017 was HK\$1,413 million, representing 6.2% growth compared with HK\$1,331 million for 2016. The total distribution amount for 2017 is based on 95% of the Trust's distributable income and amended distribution formula in the Trust Deed which became effective for the distribution period ended 31 December 2017.

The distribution per unit for the six months ended 31 December 2017 ("**Final Distribution per Unit**") stood at HK\$0.1255. This is subject to adjustment that may result from the issuance of any new units between 1 January 2018 and the record date. A further announcement informing unitholders of any adjustment to the Final Distribution per Unit will be made in due course.

With an Interim Distribution per Unit of HK\$0.1171 and a Final Distribution per Unit of HK\$0.1255, the Total Distribution per Unit for 2017 amounted to HK\$0.2426 (2016: HK\$0.2292). Based on the closing unit price of HK\$5.73 recorded on 29 December 2017, the Total Distribution per Unit represents a distribution yield of 4.2%.

### **CLOSURE OF REGISTER OF UNITHOLDERS**

The Register of Unitholders will be closed from Friday, 4 May 2018 to Wednesday, 9 May 2018 ("**Record Date**"), both days inclusive, during which period no transfer of Units will be effected. The payment of the distribution for the six months ended 31 December 2017 will be made on Wednesday, 16 May 2018 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 31 December 2017 and be entitled to attend and vote at the 2018 Annual General Meeting to be held on Wednesday, 9 May 2018, 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 of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. Thursday, 3 May 2018.

## DEBT PROFILE

### Outstanding Debt Facilities<sup>(1) (2)</sup>

As at 31 December 2017

HK\$ million	Utilised facilities	Fixed rate debt <sup>(3)</sup>	Floating rate debt
Secured Bank Loans	10,225	3,450	6,775
Medium Term Notes	4,616	3,973 <sup>(4)</sup>	643
<b>Total</b>	<b>14,841</b>	<b>7,423</b>	<b>7,418</b>
<b>Percentage</b>		<b>50.0%</b>	<b>50.0%</b>

(1) All amounts are stated at face value

(2) All outstanding debt facilities are denominated in Hong Kong Dollars except for (4) below.

(3) After interest rate swaps.

(4) Includes notes with an outstanding principal amount of US\$386.4 million which have been fully hedged at an average rate of HK\$7.7595 to US\$1.00

To lessen its exposure to potential rises in interest rates during 2017, the Trust issued fixed-rate MTNs and also increased the fixed-rate portion of its outstanding debt by entering into various interest rate swap arrangements. In June 2017, MTNs worth respectively HK\$575 million and HK\$200 million with 2.85% p.a. coupons and June 2025 maturity dates were issued. All moneys raised by the two MTNs were used to partially prepay a HK\$5,500 million 3-year term loan and revolving credit facilities which bear interest at floating rates. During 2017, the Trust had also entered into interest rate swap arrangements with a total notional amount of HK\$3,450 million at an average fixed interest rate of 1.55% p.a. The Trust's intention was to better manage interest rate risk exposure on the 1-month HIBOR floating interest rate for its HK\$5,800 million 5-year term loan facility. The interest rate swap contracts will fall due on the same day as the maturity date for the 5-year term loan facility. As a result of this liability management exercise, the Trust's total fixed-rate debt portion rose to 50.0% (21.5% as at 31 December 2016).

As at 31 December 2017, the average life of the Trust's outstanding debt was 3.5 years while the effective interest rate (after interest rate swaps are taken into account) stood at 2.6%.

### **Outstanding Debt Maturity Profile** <sup>(1)</sup>

As at 31 December 2017

	HK\$ million	% of total
Due in year 2019	4,425	29.8
Due in year 2021	5,800	39.1
Due in year 2022	643	4.3
Due in year 2023	2,998 <sup>(2)</sup>	20.2
Due in year 2024	200	1.3
Due in year 2025	775	5.2
<b>Total</b>	<b>14,841</b>	<b>100.0</b>

(1) All amounts are stated at face value

(2) After accounting for cross-currency swaps

As at 31 December 2017, the total value of the Trust's investment properties had been appraised at HK\$76.7 billion, a 14.8% increase over HK\$66.8 billion as at 31 December 2016. Correspondingly, gearing ratio (i.e. total borrowings as a percentage of gross assets) declined from 21.7% as at 31 December 2016 to 18.9% as at 31 December 2017. At the same time, the Trust's gross liabilities (i.e. excluding net assets attributable to unitholders) as a percentage of gross assets stood at 23.1% (31 December 2016: 26.1%).

### **NET ASSET VALUE PER UNIT**

Net asset value per unit increased 18.8% to HK\$10.36 as at 31 December 2017 (31 December 2016: HK\$8.72), represented an 80.8% premium on the HK\$5.73 closing unit price on 29 December 2017.

## **CASH POSITION**

As at 31 December 2017, the Trust had total undrawn bank loan facilities of HK\$300 million and a cash balance of HK\$1,190 million. With these financial resources, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

## **PLEDGE ASSETS**

As at 31 December 2017, properties of Champion REIT with a fair value of HK\$46.2 billion were pledged to secure the debt facilities granted to the Trust. Only Three Garden Road was pledged to secure the Trust's bank loans.

## **COMMITMENTS**

As at 31 December 2017, the Trust did not have any significant commitments.

## **NEW UNITS ISSUED**

As at 31 December 2017, the total number of issued Units of Champion REIT was 5,823,028,120. As compared with the position of 31 December 2016, a total of 24,790,793 new Units were issued during the year as follows:-

- On 30 August 2017, 11,029,600 new Units were issued to the REIT Manager at the price of HK\$5.79 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$63,861,000 for the first half of 2017.
- On 14 March 2017, 13,761,193 new Units were issued to the REIT Manager at the price of HK\$4.50 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$61,925,000 for the second half of 2016.

## **REAL ESTATE SALE AND PURCHASE**

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the year ended 31 December 2017.

## RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 January 2018 is set out below:

As at 31 January 2018	Type	Primary Listing	Country of Issuer	Currency	Total Cost	Mark-to-market Value	Weighting of GAV (%)	Credit Rating
KERPRO 5 ¼ 04/06/21	Bond	Singapore Exchange	BVI	USD	HK\$67,296,000	HK\$63,547,000	0.0885%	N/A
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$9,797,000	HK\$9,665,000	0.0135%	S&P BBB-
NANFUN 4 ¾ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$56,603,000	HK\$56,011,000	0.0780%	S&P BBB-
NWDEVL 5 ¼ 02/26/21	Bond	HKEX	BVI	USD	HK\$41,574,000	HK\$40,889,000	0.0569%	N/A
PCCW 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	HK\$49,641,000	HK\$49,678,000	0.0692%	S&P BBB
<b>Total</b>					HK\$224,911,000	HK\$219,790,000	0.3060%	

Notes: (1) The weighting of GAV is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.

(2) All figures presented above have been rounded to the nearest thousand.

## 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 (“**Compliance Manual**”) which set out the key processes, systems and measures used to implement this corporate governance framework.

Throughout the year ended 31 December 2017, the REIT Manager and Champion REIT have complied with the Code on Real Estate Investment Trusts, the Trust Deed of Champion REIT, the relevant provisions and requirements of the Securities and Futures Ordinance (“**SFO**”) and the Rules Governing the Listing of Securities on the Stock Exchange (“**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 Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the Year. In respect of the code governing dealings in the securities of Champion REIT (“**Code on Securities Dealings**”), specific enquiry has been made with the REIT Manager’s Directors, senior executives and officers and they (except Mr. Lo Kai Shui who has not yet signed and returned the confirmation to the REIT Manager) have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2017. The spouse of Ms. Wong Ka Ki, Ada (“**Ms. Wong**”), the Executive Director of the REIT Manager in July 2017, had acquired an aggregate of 1,200,000 Units, and in August 2017, disposed of 800,000 Units in Champion REIT (“Dealings”). Upon becoming aware of the Dealings, Ms. Wong filed the disclosure of notification forms in compliance with Part XV of the SFO within three business days.

The REIT Manager has in place a policy on the preservation and prevention of misuse of inside information setting out the principles and procedures for handling and disclosing inside information and such policy has been incorporated in the Compliance Manual and communicated to the REIT Manager’s Directors, senior management and licensed representatives.

Key components of the governance framework and the corporate governance report for the year ended 31 December 2017 will be set out in the forthcoming Annual Report.

## **CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility is one of the tenets of Champion REIT’s management philosophy. The REIT Manager recognizes that Corporate Social Responsibility will create long-term value for customers, partners, investors, employees and other stakeholders. To this end, issues covering ethical operating practices, the workplace, the environment and the community are given serious consideration at the strategic level as well as in the day-to-day operations of the Trust’s properties. Detailed information regarding the practices and the achievements of Champion REIT in these areas will be published in the Annual Report.

## **BUY-BACK, SALE OR REDEMPTION OF UNITS**

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 23 May 2017. During the year ended 31 December 2017, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had bought back, sold or redeemed any Units pursuant to this mandate.

## **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 ANNUAL RESULTS**

The audited final results for the year ended 31 December 2017 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

## **ANNUAL GENERAL MEETING**

The 2018 Annual General Meeting of Champion REIT will be held on Wednesday, 9 May 2018 at 4:00 p.m.. Notice of the meeting will be published and despatched to Unitholders in due course.

## **ISSUANCE OF ANNUAL REPORT**

The 2017 Annual Report of Champion REIT 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)) before the end of March 2018.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Trust's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, distribution statement and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Trust's external auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Trust's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## **BOARD OF DIRECTORS**

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

By Order of the Board

**Eagle Asset Management (CP) Limited**

**(as manager of Champion Real Estate Investment Trust)**

**Lo Ka Shui**

*Chairman*

Hong Kong, 14 February 2018



## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>NOTES</u>	<u>2017</u> <u>HK\$'000</u>	<u>2016</u> <u>HK\$'000</u>
Rental income	5	<b>2,396,316</b>	2,267,340
Building management fee income		<b>268,878</b>	258,185
Rental related income	6	<b>34,705</b>	31,569
<b>Total revenue</b>		<b>2,699,899</b>	2,557,094
Property operating expenses	7	<b>(533,585)</b>	(530,580)
<b>Net property income</b>		<b>2,166,314</b>	2,026,514
Interest income		<b>17,729</b>	12,094
Manager's fee	8	<b>(259,958)</b>	(243,182)
Trust and other expenses		<b>(20,667)</b>	(22,546)
Increase in fair value of investment properties		<b>9,850,151</b>	2,001,856
Finance costs	9	<b>(348,638)</b>	(347,897)
<b>Profit before tax and distribution to unitholders</b>	10	<b>11,404,931</b>	3,426,839
Income taxes	11	<b>(265,279)</b>	(245,257)
<b>Profit for the year, before distribution to unitholders</b>		<b>11,139,652</b>	3,181,582
Distribution to unitholders		<b>(1,412,730)</b>	(1,330,794)
<b>Profit for the year, after distribution to unitholders</b>		<b>9,726,922</b>	1,850,788
<b>Basic earnings per unit</b>	12	<b>HK\$1.92</b>	HK\$0.55

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
<b>Profit for the year, after distribution to unitholders</b>	<u>9,726,922</u>	<u>1,850,788</u>
<b>Other comprehensive (expense)/income:</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(39,856)	105,378
Reclassification of fair value adjustments to profit or loss	<u>3,626</u>	<u>(3,552)</u>
	<u>(36,230)</u>	<u>101,826</u>
<b>Total comprehensive income for the year</b>	<u>9,690,692</u>	<u>1,952,614</u>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	<u>NOTES</u>	<u>2017</u> <u>HK\$'000</u>	<u>2016</u> <u>HK\$'000</u>
<b>Non-current assets</b>			
Investment properties		76,704,000	66,841,500
Notes receivables		220,531	221,121
Derivative financial instruments		36,587	32,408
Total non-current assets		<u>76,961,118</u>	<u>67,095,029</u>
<b>Current assets</b>			
Trade and other receivables	13	294,910	316,391
Tax recoverable		6,421	3,716
Bank balances and cash		1,190,389	957,531
Total current assets		<u>1,491,720</u>	<u>1,277,638</u>
<b>Total assets</b>		<u>78,452,838</u>	<u>68,372,667</u>
<b>Current liabilities</b>			
Trade and other payables	14	1,338,049	1,280,344
Deposits received		652,685	575,699
Tax liabilities		38,921	48,421
Distribution payable		730,979	696,481
Total current liabilities		<u>2,760,634</u>	<u>2,600,945</u>
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Secured bank borrowings		10,172,623	10,924,600
Medium term notes		4,612,054	3,814,384
Derivative financial instruments		17,674	-
Deferred tax liabilities		538,611	497,975
Total non-current liabilities, excluding net assets attributable to unitholders		<u>15,340,962</u>	<u>15,236,959</u>
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<u>18,101,596</u>	<u>17,837,904</u>
<b>Net assets attributable to unitholders</b>		<u>60,351,242</u>	<u>50,534,763</u>
<b>Number of units in issue ('000)</b>	15	<u>5,823,028</u>	<u>5,798,237</u>
<b>Net asset value per unit</b>	16	<u>HK\$10.36</u>	<u>HK\$8.72</u>

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
<b>Profit for the year, before distribution to unitholders</b>	<b>11,139,652</b>	3,181,582
Adjustments:		
- Manager's fee paid and payable in units	<b>129,979</b>	121,591
- Increase in fair value of investment properties	<b>(9,850,151)</b>	(2,001,856)
- Non-cash finance costs	<b>26,968</b>	68,178
- Deferred tax	<b>40,636</b>	38,686
<b>Total distributable income to unitholders (note (i))</b>	<b><u>1,487,084</u></b>	<u>1,408,181</u>
Interim distribution, paid to unitholders (note (ii))	<b>681,751</b>	634,313
Final distribution, to be paid to unitholders (note (iii))	<b>730,979</b>	696,481
<b>Total distributions for the year</b>	<b><u>1,412,730</u></b>	<u>1,330,794</u>
<b>Payout ratio</b>	<b><u>95.0%</u></b>	<u>94.5%</u>
<b>Distributions per unit:</b>		
Interim distribution per unit, paid to unitholders (note (ii))	<b>HK\$0.1171</b>	HK\$0.1094
Final distribution per unit, to be paid to unitholders (note (iii))	<b>HK\$0.1255</b>	HK\$0.1198
	<b><u>HK\$0.2426</u></b>	<u>HK\$0.2292</u>

Notes:

- (i) Pursuant to the Trust Deed, 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 year. Champion REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial period.
- (ii) The interim distribution per unit of HK\$0.1171 (2016: HK\$0.1094) for the six months ended 30 June 2017 is calculated based on the interim distribution of HK\$681,751,000 (2016: HK\$634,313,000) for the period and 5,823,028,120 units (2016: 5,798,237,327 units) in issue as of 22 September 2017 (2016: 21 September 2016), which was the record date for the period. The distribution was paid to unitholders on 6 October 2017.
- (iii) The final distribution per unit of HK\$0.1255 (2016: HK\$0.1198) for the year ended 31 December 2017 is calculated based on the final distribution to be paid to unitholders of HK\$730,979,000 (2016: HK\$696,481,000) for the period and 5,823,028,120 units (2016: 5,811,998,520 units) in issue as at 31 December 2017 (2016: 23 May 2017). The final distribution per unit for the year ended 31 December 2017 will be subject to further adjustments upon the issuance of units between 1 January 2018 and 9 May 2018, which is the record date set for such period. The final distribution will be paid to unitholders on 16 May 2018.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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 Eagle Asset Management (CP) Limited (the "Manager" of Champion REIT) and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"), and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

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

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

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

### New and revised HKFRSs in issue but not yet effective

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

Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRSs HKFRS 9	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup> Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

#### 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.

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

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

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

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

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

#### 4. SEGMENT INFORMATION

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

##### Segment revenue and results

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

##### For the year ended 31 December 2017

	<b>Three Garden Road HK\$'000</b>	<b>Langham Place Office Tower HK\$'000</b>	<b>Langham Place Mall HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Revenue</b>	<u>1,376,761</u>	<u>392,298</u>	<u>930,840</u>	<u>2,699,899</u>
<b>Segment results</b>				
- Net property income	<u>1,112,370</u>	<u>318,211</u>	<u>735,733</u>	2,166,314
Interest income				17,729
Manager's fee				(259,958)
Trust and other expenses				(20,667)
Increase in fair value of investment properties				9,850,151
Finance costs				(348,638)
<b>Profit before tax and distribution to unitholders</b>				<b>11,404,931</b>
Income taxes				(265,279)
<b>Profit for the year, before distribution to unitholders</b>				<b>11,139,652</b>
Distribution to unitholders				(1,412,730)
<b>Profit for the year, after distribution to unitholders</b>				<b><u>9,726,922</u></b>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
Increase in fair value of investment properties	<u>6,820,598</u>	<u>973,000</u>	<u>2,056,553</u>	<u>9,850,151</u>



4. **SEGMENT INFORMATION** - continued

**Segment revenue and results** - continued

For the year ended 31 December 2016

	<u>Three Garden Road HK\$'000</u>	<u>Langham Place Office Tower HK\$'000</u>	<u>Langham Place Mall HK\$'000</u>	<u>Consolidated HK\$'000</u>
<b>Revenue</b>	1,297,618	370,100	889,376	2,557,094
<b>Segment results</b>				
- <b>Net property income</b>	1,039,647	295,100	691,767	2,026,514
Interest income				12,094
Manager's fee				(243,182)
Trust and other expenses				(22,546)
Increase in fair value of investment properties				2,001,856
Finance costs				(347,897)
<b>Profit before tax and distribution to unitholders</b>				3,426,839
Income taxes				(245,257)
<b>Profit for the year, before distribution to unitholders</b>				3,181,582
Distribution to unitholders				(1,330,794)
<b>Profit for the year, after distribution to unitholders</b>				1,850,788

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

Increase in fair value of investment properties	1,690,180	75,000	236,676	2,001,856
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**Other segment information**

	<u>Three Garden Road HK\$'000</u>	<u>Langham Place Office Tower HK\$'000</u>	<u>Langham Place Mall HK\$'000</u>	<u>Consolidated HK\$'000</u>
<b><u>For the year ended 31 December 2017</u></b>				
Additions to non-current assets	10,402	-	1,947	12,349

For the year ended 31 December 2016

Additions to non-current assets	52,820	-	3,824	56,644
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#### 4. SEGMENT INFORMATION - continued

##### Other segment information - continued

##### Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2017, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$46,161,000,000 (2016: HK\$39,330,000,000), HK\$9,450,000,000 (2016: HK\$8,477,000,000) and HK\$21,093,000,000 (2016: HK\$19,034,500,000), 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.

##### Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the both years ended 31 December 2017 and 2016.

#### 5. RENTAL INCOME

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Rental income	2,350,893	2,223,879
Car park income	<u>45,423</u>	<u>43,461</u>
	<u><u>2,396,316</u></u>	<u><u>2,267,340</u></u>

#### 6. RENTAL RELATED INCOME

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Interest income from tenants	524	274
Promotional levy income	11,768	10,834
Sundry income	<u>22,413</u>	<u>20,461</u>
	<u><u>34,705</u></u>	<u><u>31,569</u></u>

## 7. PROPERTY OPERATING EXPENSES

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Building management expenses	304,039	298,678
Car park operating expenses	10,230	10,185
Government rent and rates	72,059	64,348
Legal cost and stamp duty	3,110	5,949
Promotion expenses	19,909	24,614
Property and lease management service fee	73,379	66,683
Property miscellaneous expenses	5,690	2,576
Rental commission	41,258	50,984
Repairs and maintenance	3,911	6,563
	<u>533,585</u>	<u>530,580</u>

## 8. 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 2017 and 31 December 2017, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2017 and 31 December 2017 as remuneration.

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
<b>Manager's fee:</b>		
In the form of units	129,979	121,591
In the form of cash	129,979	121,591
	<u>259,958</u>	<u>243,182</u>

Based on the election on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2017 arising from the properties currently owned by Champion REIT in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% in the form of cash.

## 9. FINANCE COSTS

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
<b>Finance costs represent:</b>		
Interest expense on bank borrowings	200,757	216,510
Interest expense on medium term notes	146,931	130,371
Other borrowing costs	950	1,016
	<u>348,638</u>	<u>347,897</u>

## 10. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
<b>Profit before tax and distribution to unitholders has been arrived at after charging (crediting):</b>		
Auditors' remuneration	2,050	2,010
Trustee's remuneration	12,548	11,643
Principal valuer's fee	335	355
Other professional fees and charges	4,655	4,282
Roadshow and public relations expenses	1,258	1,334
Bank charges	253	387
Exchange difference	<u>(1,515)</u>	<u>(86)</u>

## 11. INCOME TAXES

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
<b>Hong Kong Profits Tax:</b>		
<b>Current tax</b>		
- Current year	225,173	204,851
- (Over) underprovision in prior years	<u>(530)</u>	<u>1,720</u>
	224,643	206,571
<b>Deferred tax</b>		
- Current year	<u>40,636</u>	<u>38,686</u>
	<u>265,279</u>	<u>245,257</u>

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

## 12. BASIC EARNINGS PER UNIT

The calculation of the basic earnings per unit before distribution to unitholders is based on the profit for the period, before distribution to unitholders of HK\$11,139,652,000 (2016: HK\$3,181,582,000) with the weighted average number of units of 5,815,899,965 (2016: 5,791,214,549) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2017 and 2016.

There were no dilutive potential units during the years ended 31 December 2017 and 2016, therefore the diluted earnings per unit has not been presented.

### 13. TRADE AND OTHER RECEIVABLES

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Trade receivables	24,646	21,035
Deferred rent receivables	183,291	210,191
Deposits, prepayments and other receivables	<u>86,973</u>	<u>85,165</u>
	<u>294,910</u>	<u>316,391</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:

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
0 - 3 months	<u>24,646</u>	<u>21,035</u>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$24,646,000 (2016: HK\$21,035,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

### 14. TRADE AND OTHER PAYABLES

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Trade payables	103,854	75,117
Rental received in advance	24,502	25,775
Other payables and accruals	246,218	215,977
Accrued stamp duty	<u>963,475</u>	<u>963,475</u>
	<u>1,338,049</u>	<u>1,280,344</u>

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2016: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interest in Three Garden Road upon listing.

**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:

	<u>2017</u> <b>HK\$'000</b>	<u>2016</u> HK\$'000
0 - 3 months	<u><b>103,854</b></u>	<u>75,117</u>

**15. ISSUED UNITS**

	<u>Number of units</u>	HK\$'000
Balance at 1 January 2016	5,771,681,761	24,038,427
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>26,555,566</u>	<u>114,002</u>
<b>Balance at 31 December 2016</b>	<b>5,798,237,327</b>	<b>24,152,429</b>
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>24,790,793</u>	<u>125,787</u>
<b>Balance at 31 December 2017</b>	<u><b>5,823,028,120</b></u>	<u><b>24,278,216</b></u>

Note:

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

<u>Issue date</u>	<u>Payment of the Manager's fees for the period</u>	<u>Issue price per unit determined based on the Trust Deed</u> HK\$	<u>Aggregate issue price</u> HK\$'000	<u>Number of units issued</u>
<b>In 2017</b>				
14 March 2017	1.7.2016 to 31.12.2016	4.500	61,926	13,761,193
30 August 2017	1.1.2017 to 30.6.2017	5.790	<u>63,861</u>	<u>11,029,600</u>
			<u><b>125,787</b></u>	<u><b>24,790,793</b></u>
<b>In 2016</b>				
11 March 2016	1.7.2015 to 31.12.2015	3.830	54,337	14,187,113
24 August 2016	1.1.2016 to 30.6.2016	4.824	<u>59,665</u>	<u>12,368,453</u>
			<u>114,002</u>	<u>26,555,566</u>

**16. 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 2017 of HK\$60,351,242,000 (2016: HK\$50,534,763,000) by the number of units in issue of 5,823,028,120 as at 31 December 2017 (2016: 5,798,237,327).

**17. NET CURRENT LIABILITIES**

At 31 December 2017, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$1,268,914,000 (2016: HK\$1,323,307,000).

**18. TOTAL ASSETS LESS CURRENT LIABILITIES**

At 31 December 2017, the Group's total assets less current liabilities amounted to HK\$75,692,204,000 (2016: HK\$65,771,722,000).

**19. CAPITAL COMMITMENT**

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	-	10,000