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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

2018 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 2018 (“**Year**” or “**Period**”).

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018

	2018	2017	Change
For the entire year	HK\$ million	HK\$ million	
Total Rental Income ¹	2,677	2,431	+ 10.1%
Net Property Operating Expenses ¹	272	265	+ 2.7%
Net Property Income	2,405	2,166	+ 11.0%
Distributable Income	1,611	1,487	+ 8.3%
Distribution Amount	1,530	1,413	+ 8.3%
Distribution per Unit (HK\$)	0.2617	0.2424	+ 8.0%

	2018	2017	Change
As at 31 December	HK\$ million	HK\$ million	
Gross Value of Portfolio	83,135	76,704	+ 8.4%
Net Asset Value per Unit (HK\$)	11.42	10.36	+ 10.2%
Gearing Ratio	17.6%	18.9%	- 1.3pp
Net Expense Ratio (entire year)	10.2%	10.9%	- 0.7pp
Payout Ratio (entire year)	95.0%	95.0%	No change

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

Hong Kong office market made another robust performance amidst intensifying geopolitical uncertainties and a volatile stock market in 2018. The situation was backed by a continued tight vacancy situation in Central and the city's office rental reached another record level. Yet, after getting off with a strong start in the beginning of 2018, the local retail market retreated as a result of deepening US-China trade tensions, which have brought about RMB depreciation and economic slowdown in China since the second quarter of 2018. The lacklustre retail sentiments were partly offset following the launch of two mega infrastructure projects, namely the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, which stimulated further growth in tourist arrivals. Consequently, Hong Kong retail market recorded a sales growth of 8.8% for 2018.

With a balanced and complementary nature of property portfolio, the Trust posted in 2018 another record year in terms of distributable income, which went up 8.3% to HK\$1,611 million, compared with HK\$1,487 million in 2017. Distribution per unit ("DPU") rose 8.0% to HK\$0.2617 (2017: HK\$0.2424).

Total rental income of the Trust for 2018 was HK\$2,677 million, an increase of 10.1% (2017: HK\$2,431 million). Rentals grew across the board for all the properties, with Three Garden Road achieving the highest growth. Our office portfolio held up well and continued to enjoy positive rental reversion. The buoyant tenant sales performance of Langham Place Mall contributed to the solid growth in turnover rent of the Mall. Net property operating expenses rose 2.7% to HK\$272 million, mainly due to a rise in lease management service fee resulted from higher rental income. Net property income amounted to HK\$2,405 million, up 11.0%.

The Trust continued to take a proactive approach in liability management and closely monitored the interest rate market. In 2018, the Trust further raised the fixed rate debt portion to 54.2% as at 31 December 2018 (2017: 50.0%). A total amount of HK\$925 million of fixed rate notes were issued through private placements under the Medium Term Note Programme. In consequence of higher fixed rate debt portion and rising HIBOR, cash finance cost of the Trust increased to HK\$404 million in 2018.

The appraised value of the Trust's properties as at 31 December 2018 was HK\$83.1 billion, which went up by 8.4% compared with HK\$76.7 billion as at 31 December 2017. The increase was driven mainly by higher rental rate assumptions. Net asset value per unit as at 31 December 2018 was HK\$11.42, up 10.2% year-on-year from HK\$10.36 in 2017. The gearing ratio decreased to 17.6% as at 31 December 2018 from 18.9% as at 31 December 2017.

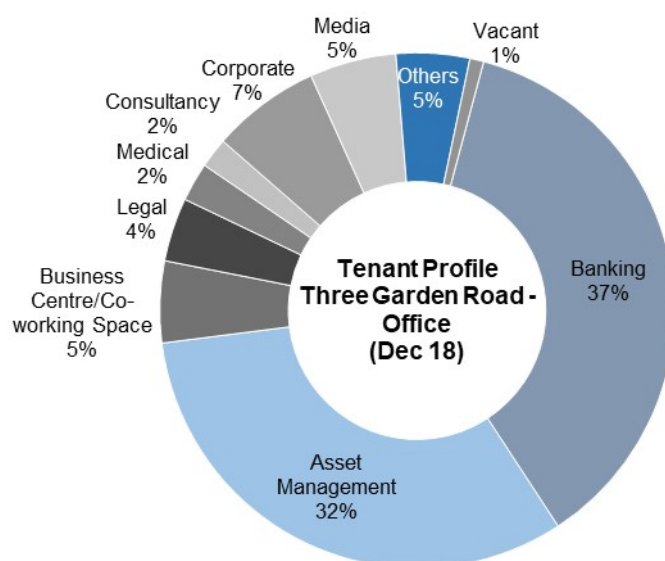
OPERATIONAL REVIEW

Three Garden Road

	2018	2017	Change
	HK\$'000	HK\$'000	
Rental Income	1,390,473	1,231,542	+ 12.9%
Net Operating Expenses	120,003	119,172	+ 0.7%
Net Property Income	1,270,470	1,112,370	+ 14.2%

2018 saw a harvesting year for Three Garden Road, with occupancy and market rental reaching historic highs. The tight supply environment continued to benefit Central office landlords. The anticipated redevelopment of an office building in the district made overall office availability in Central District even tighter. Office demand remained to be dominated by Chinese corporations, though such demand has turned subdued as the year drew to a close.

The property was almost fully-let. After reaching a new high in the middle of 2018, occupancy further edged up to another record of 99.1% as at 31 December 2018. The higher average occupancy together with the higher passing rents were the key growth drivers for the property in 2018. Total rental income amounted to HK\$1,390 million in 2018, increased by 12.9% compared with HK\$1,232 million in 2017.



Net property income of the property surged 14.2% to HK\$1,270 million, driven by solid rental income growth and improvement in net property operating expenses ratio to 8.6% (2017: 9.7%). Net property operating expenses went up slightly by 0.7% to HK\$120 million. The savings in net building management fees, which were attributable to improved occupancy and decreased rental commission following a lower tenancy turnover, were moderated by the increase in lease management service fee and government rent.

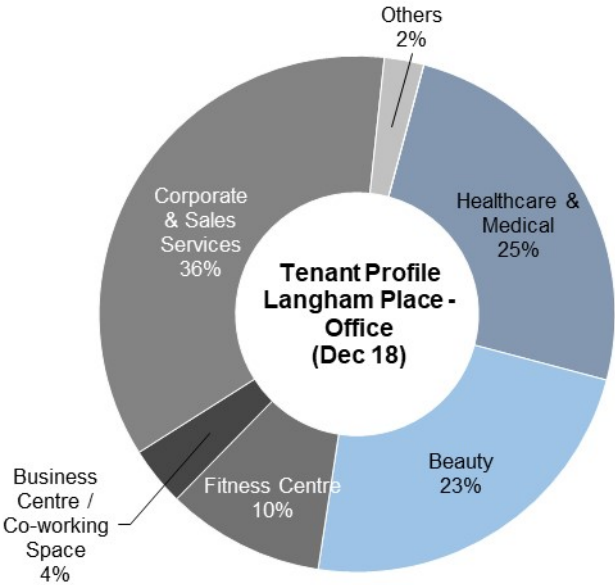
While the market recorded historically high market rent, Three Garden Road kept breaking record rent in the year under review. The latest rents achieved for the property exceeded HK\$140 per sq. ft. (based on lettable area), well above the passing rent of HK\$98.61 per sq. ft. (based on lettable area) as at 31 December 2018 (2017: HK\$92.52 per lettable sq. ft.).

Langham Place Office Tower

	2018	2017	Change
	HK\$'000	HK\$'000	
Rental Income	349,777	343,939	+ 1.7%
Net Operating Expenses	27,881	25,728	+ 8.4%
Net Property Income	321,896	318,211	+ 1.2%

The positioning of Langham Place Office Tower as a lifestyle hub was further strengthened. The strategic location of the property at the heart of Mong Kok, where different forms of public transport were easily accessible, continued to be highly valued by beauty and healthcare sectors. We continued to see expansion and new demand from beauty and medical tenants, and that the proportion of lifestyle-related tenants, including fitness centre, beauty, healthcare and medical tenants increased to 58% as at 31 December 2018. The further shifting to lifestyle tenants could thus mitigate the risk of uncertainties in sectors involved in global trading.

Total rental income of the property amounted to HK\$350 million in 2018, which increased by 1.7% (2017: HK\$344 million), mainly attributable to positive rental reversion. Passing rents improved to HK\$42.68 per sq. ft. (based on gross floor area) as at 31 December 2018, which still represented a gap to the latest achieved rents of over HK\$50 per sq. ft. (based on gross floor area). The property was fully occupied as at 31 December 2018.



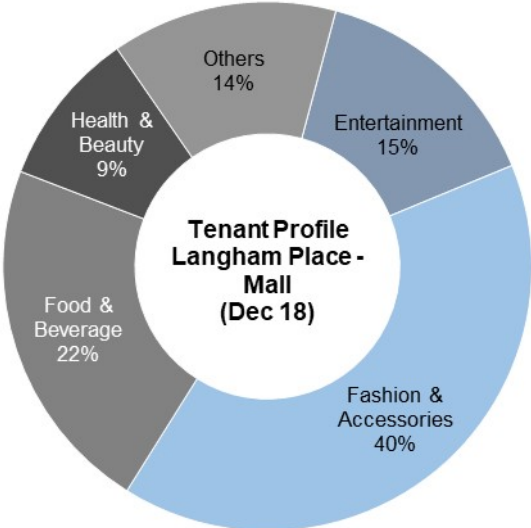
Net property operating expenses went up by 8.4% to HK\$28 million, mainly due to a rise in rental commission of HK\$2 million. Net property income was HK\$322 million, which increased by 1.2% (2017: HK\$318 million).

Langham Place Mall

	2018	2017	Change
	HK\$'000	HK\$'000	
Rental Income	936,996	855,540	+ 9.5%
Net Operating Expenses	124,039	119,807	+ 3.5%
Net Property Income	812,957	735,733	+ 10.5%

Driven by increase in tourist arrivals, Hong Kong retail sales recorded 8.8% growth in 2018 though the growth momentum has significantly slowed down in the second half in view of RMB depreciation and rising tensions of the US-China trade dispute. With our conscious efforts in active tenant management and robust marketing campaign, Langham Place Mall continued to outperform the market with tenant sales increased by 17.6%.

Thanks to synergies generated by Langham Place Office Tower’s lifestyle-related tenants, beauty tenants at the retail mall continued to lead the growth. Total rental income increased by 9.5% to HK\$937 million in 2018, mainly driven by growth in turnover rent to HK\$187 million (2017: HK\$116 million). Positive rental reversion drove up passing base rents to HK\$184.28 per lettable sq. ft. as at 31 December 2018, an increase of 4.3%.



Net property income increased to HK\$813 million, which climbed 10.5% from HK\$736 million in 2017 on higher rental income. Net property operating expenses increased by 3.5% to HK\$124 million, mainly due to higher net building management expenses and lease management service fee.

OUTLOOK

Geopolitical tensions in 2018 are generally viewed to continue in 2019, with uncertainties mainly in the global macroeconomic environment. The intensifying US-China trade conflict will potentially impact the Chinese economic activities, and may inevitably pose a challenging year for the Hong Kong economy. Likewise, volatilities in the financial market may delay business expansion plans for financial institutions and a potential economic slowdown may dampen consumer confidence in the retail market.

Against these backdrops, it is considered that the growth trend of the Trust's office portfolio will be sustainable in 2019. In the case of Three Garden Road and Langham Place Office Tower, the market rents are well above the passing rents. Given that we are well-prepared for potential disruptions and have already pre-negotiated all major expiries in 2019, it is anticipated that the office portfolio will deliver a stable growth thanks to positive rental reversion. Both office properties are expected to maintain a high level of occupancy in 2019 despite possible fluctuations during the year.

The retail market, on the other hand, could be vulnerable to an economic downturn. The Hong Kong retail sales growth has started to slow down in the second half of 2018 at the back of RMB depreciation and market uncertainties. With a high base effect in a sluggish market environment, the sales growth of Langham Place Mall is unlikely to repeat in 2019. This would potentially affect the turnover rent portion. To alleviate the situation, we will continue to optimise the tenant mix and to introduce more appealing and cutting-edge events to strengthen the Mall's attractiveness to our target customers.

While it is cognizant that the US interest rate hike cycle is likely to come to an end this year, interest expense of the Trust is expected to edge up in 2019. Refinancing of a bank loan maturing this year is in progress with an aim of enhancing the Trust's credit profile. We will continue to monitor the market environment with the intention to improve our liability management programme.

We will continue to drive performance of the existing property portfolio, and to actively look for portfolio rebalancing opportunity to enhance unitholders' value. The macro uncertainties may yield growth opportunities for the Trust globally. Market volatilities could also bring about potentiality that fit the Trust's investment strategy on income producing commercial properties in prime locations.

Though there are uncertainties in 2019, the fundamentals of the Trust remain stable, especially for the office portfolio. While risks of retail marketing are rising, we believe that the influx of visitors brought about by the new infrastructure might mitigate certain downside factors. Overall, the complementary nature of the portfolio should facilitate us to deliver a steady net property income growth in 2019.

VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Colliers International (Hong Kong) Limited on 30 January 2019, the valuations of the properties of Champion REIT, broken down by usage as at 31 December 2018 were:

	Three Garden Road	Langham Place	Sub-total
Dec 2018 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	48,254	9,910	58,164
Retail	670	22,700	23,370
Car Park	614	381	995
Miscellaneous	352	254	606
Total	49,890	33,245	83,135

The Trust's property portfolio was valued at HK\$83.1 billion as at 31 December 2018, increased by 8.4% from HK\$76.7 billion as at 31 December 2017. The valuation increase was due mainly to higher rental assumptions. The capitalization rates used to value Three Garden Road, Langham Place Office and Langham Place Mall remained unchanged at 3.6%, 4.0% and 3.75% respectively.

FINANCIAL REVIEW

DISTRIBUTIONS

The total distribution amount of Champion REIT for the year was HK\$1,530 million, representing 8.3% growth compared with HK\$1,413 million for 2017. The total distribution amount is based on 95% of the Trust's distributable income.

The DPU for the six months ended 31 December 2018 ("Final DPU") was HK\$0.1367. This is subject to adjustment that may result from the issuance of any new units between 1 January 2019 and the record date. A further announcement informing unitholders of any adjustment to the Final DPU will be made in due course.

With an interim DPU of HK\$0.1250 and a Final DPU of HK\$0.1367, the total DPU for 2018 amounted to HK\$0.2617 (2017: HK\$0.2424). Based on the closing unit price of HK\$5.36 recorded on 31 December 2018, the total DPU represents a distribution yield of 4.9%.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed during the following periods and during these periods, no transfer of Units will be effected:

- (i) To qualify for the distribution for the six months ended 31 December 2018

For the purpose of ascertaining the Unitholders' entitlement to the distribution for the six months ended 31 December 2018, the Register of Unitholders will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019, both days inclusive. The payment of the distribution for the six months ended 31 December 2018 will be made on Friday, 17 May 2019 to Unitholders whose names appear on the Register of Unitholders on Thursday, 9 May 2019.

In order to qualify for the distribution for the six months ended 31 December 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 ("**Unit Registrar**") 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. on Friday, 3 May 2019.

- (ii) To attend and vote at the 2019 Annual General Meeting

For the purpose of ascertaining the Unitholders' entitlement to attend and vote at the 2019 Annual General Meeting to be held on Thursday, 30 May 2019 ("**2019 AGM**"), the Registers of Unitholders will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019, both days inclusive.

In order to be eligible to attend and vote at the 2019 AGM, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with the Unit Registrar for registration not later than 4:30 p.m. on Friday, 24 May 2019.

DEBT PROFILE

Outstanding Debt Facilities ^{(1) (2)}

As at 31 December 2018

HK\$ million	Utilised facilities	Fixed rate debt ⁽³⁾	Floating rate debt ⁽³⁾
Secured Bank Loans	9,500	3,450	6,050
Medium Term Notes	5,541	4,698 ⁽⁴⁾	843
Total	15,041	8,148	6,893
Percentage		54.2%	45.8%

(1) All amounts are stated at face value

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

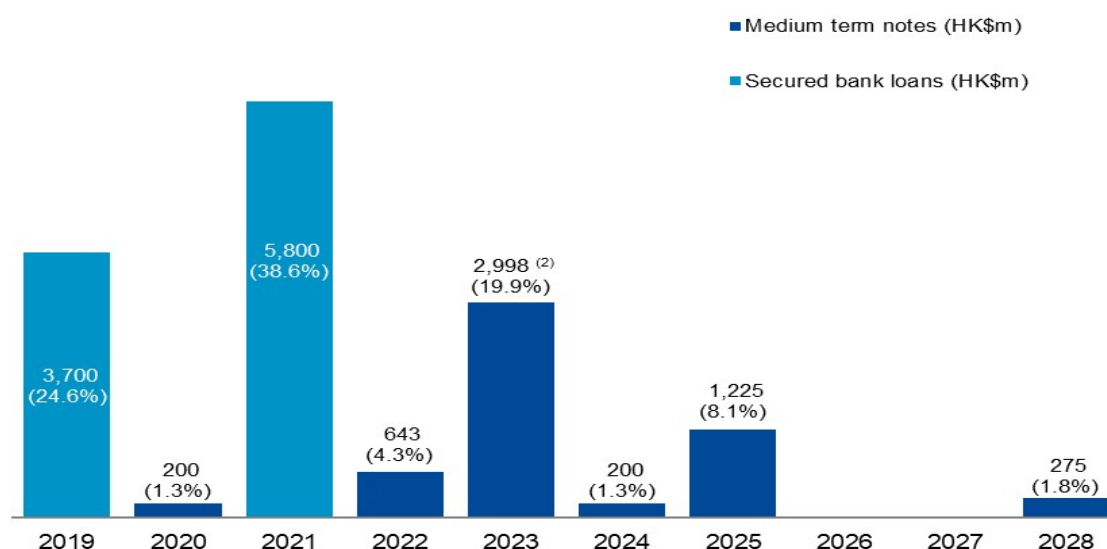
(3) After interest rate swaps

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

The Trust is keeping close monitor on interest rate risks and managing liabilities proactively. During 2018, a total amount of HK\$925 million of medium term notes were issued, further raising the fixed rate debt portion while lowering the secured debt portion. The proportion of fixed rate debt increased to 54.2% (50.0% as at 31 December 2017). A higher average HIBOR and a raised fixed rate debt portion have driven up the cash finance costs to HK\$404 million (2017: HK\$322 million). The average life of the Trust's outstanding debt was 2.8 years while the effective interest rate was 3.1% as at 31 December 2018. A secured bank loan with an outstanding amount of HK\$3.7 billion is due for repayment in 2019; refinancing arrangements with banks are now in progress.

Outstanding Debt Maturity Profile ⁽¹⁾

As at 31 December 2018



(1) All amounts are stated at face value

(2) After accounting for cross currency swaps

The Trust's investment properties as at 31 December 2018 were appraised at a total value of HK\$83.1 billion, representing a 8.4% increase from HK\$76.7 billion as at 31 December 2017. Correspondingly, the Gearing Ratio (or total borrowings as a percentage of gross assets) decreased from 18.9% as at 31 December 2017 to 17.6% as at 31 December 2018. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 21.7% (31 December 2017: 23.1%).

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$66.8 billion as at 31 December 2018, an increase of 10.6% compared to HK\$60.4 billion as at 31 December 2017.

The Net Asset Value per Unit as at 31 December 2018 was HK\$11.42. It represented a 113.1% premium to the closing unit price of HK\$5.36 as at 31 December 2018.

CASH POSITION

As at 31 December 2018, the Trust had total undrawn bank loan facilities of HK\$300 million and a cash balance of HK\$1,600 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 2018, properties of Champion REIT with a fair value of HK\$49.9 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 2018, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the consolidated financial statements amount to HK\$20 million.

Save as aforementioned, the Trust did not have any significant commitments at the end of the reporting period.

NEW UNITS ISSUED

As at 31 December 2018, the total number of issued Units of Champion REIT was 5,847,092,804. As compared with the position of 31 December 2017, a total of 24,064,684 new Units were issued during the year as follows:-

- On 31 August 2018, 12,194,412 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\$70,605,700 for the first half of 2018.
- On 1 March 2018, 11,870,272 new Units were issued to the REIT Manager at the price of HK\$5.57 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$66,117,500 for the second half of 2017.

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 2018.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 January 2019 is set out below:

As at 31 January 2019	Type	Primary Listing	Country of Issuer	Currency	Total Cost	Mark-to-market Value	Weighting of GAV (%)	Credit Rating
KERPRO 5 ½ 04/06/21	Bond	Singapore Exchange	BVI	USD	HK\$67,296,000	HK\$62,281,000	0.0758%	N/A
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$9,797,000	HK\$9,619,000	0.0117%	S&P BBB-
NANFUN 4 ¾ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$56,603,000	HK\$55,493,000	0.0675%	S&P BBB-
NWDEVL 5 ¼ 02/26/21	Bond	HKEX	BVI	USD	HK\$41,574,000	HK\$40,318,000	0.0490%	N/A
PCCW 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	HK\$49,641,000	HK\$49,287,000	0.0600%	S&P BBB
Total					HK\$224,911,000	HK\$216,999,000	0.2640%	

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 2018, 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 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 have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2018.

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 2018 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 9 May 2018. During the year ended 31 December 2018, 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 2018 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of Champion REIT will be held on Thursday, 30 May 2019 at 4:00 p.m.. Notice of the meeting will be published and despatched to Unitholders in due course.

ISSUANCE OF ANNUAL REPORT

The 2018 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) and Champion REIT (www.ChampionReit.com) before the end of March 2019.

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 2018 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 two Non-executive Directors, namely Dr. Lo Ka Shui (*Chairman*) and Mr. Ip Yuk Keung, Albert; 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, 21 February 2019

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>NOTES</u>	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Rental income	5	2,641,489	2,396,316
Building management fee income	5	287,726	268,878
Rental related income	6	35,757	34,705
Total revenue		2,964,972	2,699,899
Property operating expenses	7	(559,649)	(533,585)
Net property income		2,405,323	2,166,314
Interest income		28,182	17,729
Manager's fee	8	(288,639)	(259,958)
Trust and other expenses		(27,399)	(20,667)
Increase in fair value of investment properties		6,411,601	9,850,151
Finance costs	9	(428,187)	(348,638)
Profit before tax and distribution to unitholders	10	8,100,881	11,404,931
Income taxes	11	(288,824)	(265,279)
Profit for the year, before distribution to unitholders		7,812,057	11,139,652
Distribution to unitholders		(1,530,045)	(1,412,730)
Profit for the year, after distribution to unitholders		6,282,012	9,726,922
Basic earnings per unit	12	HK\$1.34	HK\$1.92

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Profit for the year, after distribution to unitholders	<u>6,282,012</u>	<u>9,726,922</u>
Other comprehensive (expense) income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(8,540)	(39,856)
Reclassification of fair value adjustments to profit or loss	<u>(509)</u>	<u>3,626</u>
	<u>(9,049)</u>	<u>(36,230)</u>
Total comprehensive income for the year	<u><u>6,272,963</u></u>	<u><u>9,690,692</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	<u>NOTES</u>	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Non-current assets			
Investment properties		83,135,000	76,704,000
Notes receivables		218,705	220,531
Derivative financial instruments		39,399	36,587
Total non-current assets		<u>83,393,104</u>	<u>76,961,118</u>
Current assets			
Trade and other receivables	13	296,849	294,910
Tax recoverable		1,022	6,421
Time deposit with original maturity over three months		200,000	-
Bank balances and cash		1,399,530	1,190,389
Total current assets		<u>1,897,401</u>	<u>1,491,720</u>
Total assets		<u>85,290,505</u>	<u>78,452,838</u>
Current liabilities			
Trade and other payables	14	1,337,168	1,338,049
Deposits received		761,175	652,685
Tax liabilities		30,363	38,921
Distribution payable		799,023	730,979
Secured bank borrowings		3,696,715	-
Total current liabilities		<u>6,624,444</u>	<u>2,760,634</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings		5,771,097	10,172,623
Medium term notes		5,536,292	4,612,054
Derivative financial instruments		17,860	17,674
Deferred tax liabilities		579,884	538,611
Total non-current liabilities, excluding net assets attributable to unitholders		<u>11,905,133</u>	<u>15,340,962</u>
Total liabilities, excluding net assets attributable to unitholders		<u>18,529,577</u>	<u>18,101,596</u>
Net assets attributable to unitholders		<u>66,760,928</u>	<u>60,351,242</u>
Number of units in issue ('000)	15	<u>5,847,093</u>	<u>5,823,028</u>
Net asset value per unit	16	<u>HK\$11.42</u>	<u>HK\$10.36</u>

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Profit for the year, before distribution to unitholders	7,812,057	11,139,652
Adjustments:		
- Manager's fee paid and payable in units	144,319	129,979
- Increase in fair value of investment properties	(6,411,601)	(9,850,151)
- Non-cash finance costs	24,525	26,968
- Deferred tax	41,273	40,636
Total distributable income to unitholders (note (i))	1,610,573	1,487,084
Interim distribution, paid to unitholders (note (ii))	731,022	681,751
Final distribution, to be paid to unitholders (note (iii))	799,023	730,979
Total distributions for the year	1,530,045	1,412,730
Payout ratio	95.0%	95.0%
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK\$0.1250	HK\$0.1171
Final distribution per unit, to be paid to unitholders (note (iii))	HK\$0.1367	HK\$0.1253
	HK\$0.2617	HK\$0.2424

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\$0.1250 (2017: HK\$0.1171) for the six months ended 30 June 2018 is calculated based on the interim distribution of HK\$731,022,000 (2017: HK\$681,751,000) for the period and 5,847,092,804 units (2017: 5,823,028,120 units) in issue as of 21 September 2018 (2017: 22 September 2017), which was the record date for the period. The distribution was paid to unitholders on 5 October 2018.
- (iii) The final distribution per unit of HK\$0.1367 (2017: HK\$0.1253) for the year ended 31 December 2018 is calculated based on the final distribution to be paid to unitholders of HK\$799,023,000 (2017: HK\$730,979,000) for the period and 5,847,092,804 units (2017: 5,834,898,392 units) in issue as at 31 December 2018 (2017: 9 May 2018). The final distribution per unit for the year ended 31 December 2018 will be subject to further adjustments upon the issuance of units between 1 January 2019 and 9 May 2019, which is the record date set for such period. The final distribution will be paid to unitholders on 17 May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

The Manager considers that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 9 "Financial Instruments and the related amendments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses ("ECL") for financial assets and iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under expected credit losses ("ECL") model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

The Manager reviewed and assessed the financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. All financial assets of the Group continues to be measured at amortised cost or fair value. Except for the assessment of impairment under ECL model for financial assets at amortised costs, the application of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation of consolidated financial statements - continued

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.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by HK\$4,727,043,000 (2017: HK\$1,268,914,000). Management reviews the Group's financial position and is now negotiating with banks to refinance existing term loans which are due within one year. The Manager is of the opinion that, taking into account of the fair value of investment properties available to pledge for new financing if needed, presently available banking facilities and internal financial resources, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

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 2018

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	<u>1,548,766</u>	<u>400,361</u>	<u>1,015,845</u>	<u>2,964,972</u>
Segment results				
- Net property income	<u>1,270,470</u>	<u>321,896</u>	<u>812,957</u>	2,405,323
Interest income				28,182
Manager's fee				(288,639)
Trust and other expenses				(27,399)
Increase in fair value of investment properties				6,411,601
Finance costs				(428,187)
Profit before tax and distribution to unitholders				<u>8,100,881</u>
Income taxes				(288,824)
Profit for the year, before distribution to unitholders				7,812,057
Distribution to unitholders				(1,530,045)
Profit for the year, after distribution to unitholders				<u>6,282,012</u>
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	<u>3,715,881</u>	<u>460,000</u>	<u>2,235,720</u>	<u>6,411,601</u>

4. **SEGMENT INFORMATION** - continued

Segment revenue and results - continued

For the year ended 31 December 2017

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

4. SEGMENT INFORMATION - continued

Other segment information

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
<u>For the year ended 31 December 2018</u>				
Additions to non-current assets	<u>13,119</u>	<u>-</u>	<u>6,280</u>	<u>19,399</u>
<u>For the year ended 31 December 2017</u>				
Additions to non-current assets	<u>10,402</u>	<u>-</u>	<u>1,947</u>	<u>12,349</u>

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2018, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$49,890,000,000 (2017: HK\$46,161,000,000), HK\$9,910,000,000 (2017: HK\$9,450,000,000) and HK\$23,335,000,000 (2017: HK\$21,093,000,000), 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 2018 and 2017.

5. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Rental income	2,593,753	2,350,893
Car park income	47,736	45,423
	<u>2,641,489</u>	<u>2,396,316</u>
	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Building management fee income	<u>287,726</u>	<u>268,878</u>

The timing of revenue recognition of building management fee income is over time.

6. RENTAL RELATED INCOME

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Interest income from tenants	306	524
Promotional levy income	13,058	11,768
Sundry income	22,393	22,413
	<u>35,757</u>	<u>34,705</u>

7. PROPERTY OPERATING EXPENSES

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Building management expenses	321,956	304,039
Car park operating expenses	11,657	10,230
Government rent and rates	76,098	72,059
Legal cost and stamp duty	3,370	3,110
Promotion expenses	17,397	19,909
Property and lease management service fee	80,329	73,379
Property miscellaneous expenses	2,707	5,690
Rental commission	40,553	41,258
Repairs and maintenance	5,582	3,911
	<u>559,649</u>	<u>533,585</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 2018 and 31 December 2018, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2018 and 31 December 2018 as remuneration.

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Manager's fee:		
In the form of units	144,319	129,979
In the form of cash	144,320	129,979
	<u>288,639</u>	<u>259,958</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 2018 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>2018</u> HK\$'000	<u>2017</u> HK\$'000
Finance costs represent:		
Interest expense on bank borrowings	246,034	200,757
Interest expense on medium term notes	181,961	146,931
Other borrowing costs	192	950
	<u>428,187</u>	<u>348,638</u>

10. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditors' remuneration	2,180	2,050
Trustee's remuneration	14,084	12,548
Principal valuer's fee	312	335
Other professional fees and charges	9,105	4,655
Roadshow and public relations expenses	1,832	1,258
Bank charges	285	253
Exchange difference	(449)	(1,515)
	<u></u>	<u></u>

11. INCOME TAXES

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Hong Kong Profits Tax:		
Current tax		
- Current year	247,375	225,173
- Under (over) provision in prior years	176	(530)
	<u>247,551</u>	<u>224,643</u>
Deferred tax		
- Current year	41,273	40,636
	<u>288,824</u>	<u>265,279</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 year, before distribution to unitholders of HK\$7,812,057,000 (2017: HK\$11,139,652,000) with the weighted average number of units of 5,840,508,339 (2017: 5,815,899,965) 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 2018 and 2017.

There were no dilutive potential units during the years ended 31 December 2018 and 2017, therefore the diluted earnings per unit has not been presented.

13. TRADE AND OTHER RECEIVABLES

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Trade receivables	27,736	24,646
Deferred rent receivables	169,575	183,291
Deposits, prepayments and other receivables	99,538	86,973
	<u>296,849</u>	<u>294,910</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.

13. TRADE AND OTHER RECEIVABLES - continued

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>2018</u> HK\$'000	<u>2017</u> HK\$'000
0 - 3 months	<u>27,736</u>	<u>24,646</u>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$27,736,000 (2017: HK\$24,646,000) 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>2018</u> HK\$'000	<u>2017</u> HK\$'000
Trade payables	79,127	103,854
Rental received in advance	19,852	24,502
Other payables and accruals	274,714	246,218
Accrued stamp duty	963,475	963,475
	<u>1,337,168</u>	<u>1,338,049</u>

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2017: 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.

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

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
0 - 3 months	<u>79,127</u>	<u>103,854</u>

15. ISSUED UNITS

	<u>Number of units</u>	<u>HK\$'000</u>
Balance at 1 January 2017	5,798,237,327	24,152,429
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>24,790,793</u>	<u>125,787</u>
Balance at 31 December 2017	5,823,028,120	24,278,216
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>24,064,684</u>	<u>136,723</u>
Balance at 31 December 2018	<u>5,847,092,804</u>	<u>24,414,939</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 HK\$</u>	<u>Number of units issued</u>	<u>Aggregate issue price HK\$'000</u>
In 2018				
1 March 2018	1.7.2017 to 31.12.2017	5.570	11,870,272	66,117
31 August 2018	1.1.2018 to 30.6.2018	5.790	<u>12,194,412</u>	<u>70,606</u>
			<u>24,064,684</u>	<u>136,723</u>
In 2017				
14 March 2017	1.7.2016 to 31.12.2016	4.500	13,761,193	61,926
30 August 2017	1.1.2017 to 30.6.2017	5.790	<u>11,029,600</u>	<u>63,861</u>
			<u>24,790,793</u>	<u>125,787</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 2018 of HK\$66,760,928,000 (2017: HK\$60,351,242,000) by the number of units in issue of 5,847,092,804 as at 31 December 2018 (2017: 5,823,028,120).

17. NET CURRENT LIABILITIES

At 31 December 2018, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$4,727,043,000 (2017: HK\$1,268,914,000).

18. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2018, the Group's total assets less current liabilities amounted to HK\$78,666,061,000 (2017: HK\$75,692,204,000).

19. CAPITAL COMMITMENT

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	<u>19,551</u>	<u>-</u>