

# 2019 Interim Report 中期報告



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

冠君產業信託（股份代號：2778）為根據香港法例第571章證券及期貨條例第104條獲認可的香港集體投資計劃

## Trust Profile

Champion REIT 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.

## Trust Objectives

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



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# Corporate Information

## CHAMPION REIT

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

## REIT MANAGER

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

## BOARD OF DIRECTORS OF THE REIT MANAGER

### Non-executive Directors

LO Ka Shui (*Chairman*)  
IP Yuk Keung, Albert

### Executive Director

WONG Ka Ki, Ada (*Chief Executive Officer*)

### Independent Non-executive Directors

CHA Mou Sing, Payson  
CHENG Wai Chee, Christopher  
HO Shut Kan  
SHEK Lai Him, Abraham

## AUDIT COMMITTEE OF THE REIT MANAGER

SHEK Lai Him, Abraham (*Chairman*)  
CHENG Wai Chee, Christopher  
HO Shut Kan  
LO Ka Shui

## DISCLOSURES COMMITTEE OF THE REIT MANAGER

WONG Ka Ki, Ada (*Chairman*)  
LO Ka Shui  
SHEK Lai Him, Abraham

## RESPONSIBLE OFFICERS OF THE REIT MANAGER

WONG Ka Ki, Ada  
KWONG Chi Kwong  
LAU Yee Tong, Yvonne

## COMPANY SECRETARY OF THE REIT MANAGER

G. E. Secretaries Limited

## PROPERTY MANAGER

Eagle Property Management (CP) Limited

## TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
DBS Bank Ltd., Hong Kong Branch  
Industrial and Commercial Bank of China (Asia) Limited  
Oversea-Chinese Banking Corporation Limited  
The Hongkong and Shanghai Banking Corporation Limited

## LEGAL ADVISOR

Baker & McKenzie

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL VALUER

Colliers International (Hong Kong) Limited

## UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## WEBSITE

[www.ChampionReit.com](http://www.ChampionReit.com)

## STOCK CODE

2778

# Financial Highlights

	<b>6 Months Ended 30 Jun 2019 HK\$' million</b>	6 Months Ended 30 Jun 2018 HK\$' million	Change
Total Rental Income <sup>1</sup>	1,400	1,303	+ 7.5%
Net Property Operating Expenses <sup>1</sup>	137	126	+ 9.0%
Net Property Income	1,263	1,177	+ 7.3%
Distributable Income	869	812	+ 7.0%
Distribution Amount	782	731	+ 7.0%
Distribution per Unit (HK\$)	0.1335	0.1250	+ 6.8%

	<b>As at 30 Jun 2019 HK\$' million</b>	As at 31 Dec 2018 HK\$' million	Change
Gross Value of Portfolio	85,616	83,135	+ 3.0%
Net Asset Value per Unit (HK\$)	11.82	11.42	+ 3.5%
Gearing Ratio	17.1%	17.6%	- 0.5pp

<sup>1</sup> Building Management Fee Income is directly offset against Building Management Fee Expenses instead of being classified as an income item.

## Overview

The Trust continued to deliver solid results with distributable income increasing by 7.0% to HK\$869 million and distribution per unit (“DPU”) increasing by 6.8% to HK\$0.1335 (2018: HK\$0.1250) compared to last year amid abating momentum of both the office and retail markets. The growth was achieved against the backdrop of geopolitical volatilities and stagnant economic growth of Hong Kong in the first half of 2019.

While the office portfolio continued to enjoy solid rental reversion, the retail performance was impacted by the slowdown of local consumption and the new e-commerce law in China. Among the Trust’s properties, Three Garden Road remained a key contributor to the income growth. Despite sluggish retail performance,

Langham Place Mall achieved a moderate growth in total rental income. Total rental income of the Trust increased 7.5% to HK\$1,400 million, mainly driven by the office portfolio. Total net operating expenses increased by HK\$11 million largely due to higher rental commission on higher proportion of lease turnover. Net property income increased by 7.3% to HK\$1,263 million (2018: HK\$1,177 million).

During the first half of 2019, the Trust has drawn new unsecured loan facilities of HK\$5,814 million to refinance the secured bank loan maturing in 2019 and to partially repay the secured bank loan due in 2021. The refinancing would enhance the credit profile, where the secured debt portion was lowered significantly

to 24.5% as at 30 June 2019. Cash finance costs increased to HK\$217 million (2018: HK\$185 million) mainly attributable to higher average HIBOR. Recently the Trust has entered into interest rate swap arrangements to mitigate interest rate risks and the fixed rate debt portion has increased to 58.2% currently.

The appraised value of the Trust’s properties was HK\$85.6 billion as at 30 June 2019, up by 3.0% from HK\$83.1 billion as at 31 December 2018. The increase was driven primarily by higher rental rate assumptions. Net asset value per unit as at 30 June 2019 was HK\$11.82, up 3.5% compared with HK\$11.42 as at 31 December 2018. The gearing ratio strengthened to 17.1% as at 30 June 2019 from 17.6% as at 31 December 2018.

# Operational Review

## THREE GARDEN ROAD

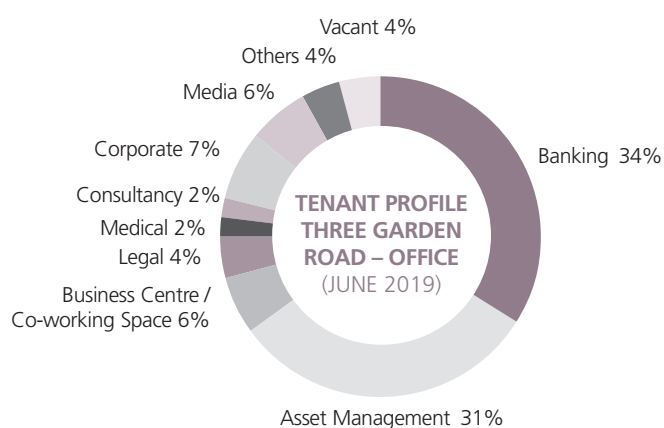
	6 Months Ended 30 Jun 2019 HK\$'000	6 Months Ended 30 Jun 2018 HK\$'000	Change
Rental Income	738,106	671,847	+ 9.9%
Net Property Operating Expenses	72,258	64,877	+ 11.4%
Net Property Income	665,848	606,970	+ 9.7%

While no new supply in Central's office space is foreseen, the overall leasing activities in the district diminished in the first half owing to the uncertain macroeconomic environment. Leasing demand was mainly fueled by business expansion of existing tenants, while some occupiers maintained a cautious approach.

Three Garden Road continued to sustain solid rental income growth in 2019, which went up 9.9% to HK\$738 million (2018: HK\$672 million), primarily due to positive rental reversion. The passing rents of the property further increased to HK\$105.35 per sq. ft. (based on lettable area) as at 30 June 2019, compared with HK\$98.61 per sq.

ft. (based on lettable area) as at 31 December 2018. Market rental for leasing transactions concluded this year have remained stable generally. Occupancy maintained at high level of 95.8% as at 30 June 2019.

Net property operating expenses rose



HK\$7 million mainly caused by higher rental commission and property and lease management services fees as a result of higher proportion of lease turnover in 2019. Net property income maintained a stable growth of 9.7% to HK\$666 million (2018: HK\$607 million).

# Operational Review

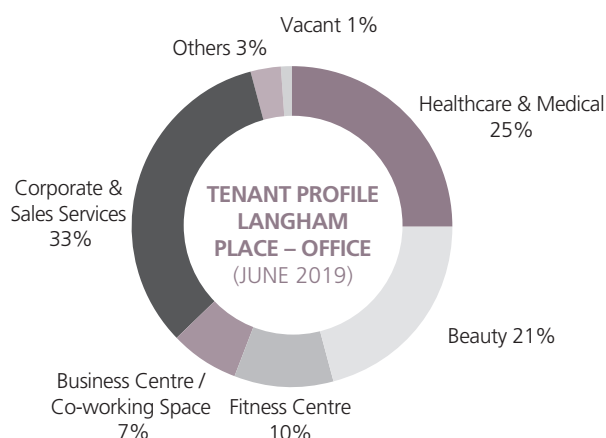
## LANGHAM PLACE OFFICE TOWER

	6 Months Ended 30 Jun 2019 HK\$'000	6 Months Ended 30 Jun 2018 HK\$'000	Change
Rental Income	185,084	167,085	+ 10.8%
Net Property Operating Expenses	15,055	12,244	+ 23.0%
Net Property Income	170,029	154,841	+ 9.8%

Positioned as a lifestyle hub, demand for Langham Place Office Tower from lifestyle tenants remained solid during the period under review. While existing beauty tenants continued to show interest in expanding their footprint, new healthcare and medical operators also opted to set up their presence in the property. As at 30 June 2019, the proportion of lifestyle-related tenants accounted for 56%.

For the first half of 2019, total rental income went up 10.8% to HK\$185 million (2018: HK\$167 million). The growth was mainly attributable to positive rental reversion with passing rents rising to HK\$44.73 per sq. ft. (based on gross floor area) as at 30 June 2019. Targeting a different clientele, the lifestyle positioning has given the property added resilience to cope with new supplies emerging in decentralized districts. Occupancy stood at a high level of 98.8% as at 30 June 2019.

Total net property operating expenses increased by HK\$3 million mainly due to increase in rental commission on higher proportion of lease turnover. Net property income rose 9.8% to HK\$170 million (2018: HK\$155 million).

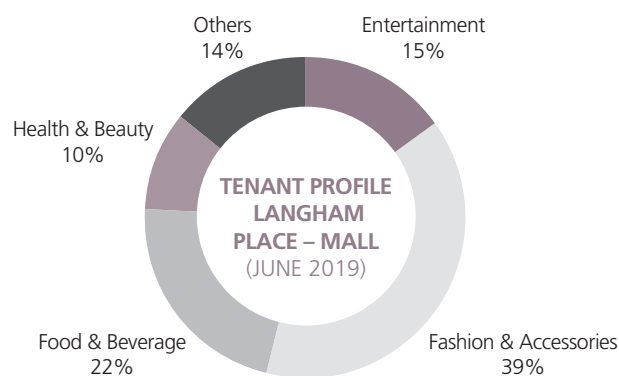




**LANGHAM PLACE MALL**

	<b>6 Months Ended 30 Jun 2019 HK\$'000</b>	6 Months Ended 30 Jun 2018 HK\$'000	Change
Rental Income	476,560	463,681	+ 2.8%
Net Property Operating Expenses	49,818	48,731	+ 2.2%
Net Property Income	426,742	414,950	+ 2.8%

The Hong Kong retail sales weakened in the first half of 2019 with a steeper decline in June heightened by a more cautious sentiment in domestic consumption and moderating growth in visitor arrivals. Despite the unfavorable market environment, tenant sales of Langham Place Mall remained resilient and recorded a mild decrease of 0.6%, compared with 2.6% decrease in Hong Kong retail sales.



Total rental income from the Mall went up 2.8% to HK\$477 million (2018: HK\$464 million), mainly driven by the growth in base rents from overall positive rental reversion. The lackluster retail sales has caused the turnover rents to recede to HK\$90 million (2018: HK\$94 million). Turnover rent contributed to

20% of retail rental income. The average passing base rents improved slightly to HK\$186.55 per sq. ft. (based on lettable floor area) as at 30 June 2019, compared with HK\$184.28 per sq. ft. (based on lettable floor area) as at 31 December 2018. The Mall maintained fully let as at 30 June 2019.

Net property operating expenses increased by 2.2% to HK\$50 million, mainly attributable to higher rental commission and more subdivision works. Net property income grew 2.8% to HK\$427 million, compared with HK\$415 million last year.

# Outlook

Globally, the macroeconomic environment is expected to remain unclear in the second half of 2019. Underlined by the US-China trade tensions, the recent local protests and other macro factors, leasing demand in Central might be affected. Nevertheless, the leasing strategy for Three Garden Road would focus on maintaining high occupancy. Given the considerable gap between passing rents and market rents, positive rental reversion of the property should continue. Similarly, Langham Place Office should also stand to gain from positive rental reversion with the gradual consolidation of its lifestyle positioning.

The outlook of Hong Kong retail market remains uncertain. With majority of 2019 expiries being concluded, the base rent portion of Langham Place Mall should be stable. However, RMB fluctuation and current social unrest have dampened retail sales and the stalled retail environment would significantly impact the turnover rent portion for the rest of 2019, as seen in July and August 2019 preliminary figures. The Trust will continue to adopt an agile leasing management strategy to bring in new tenants with rental growth potential for the Trust. The basement floors of the Mall are undergoing some tenants remixing. Occupants in the beauty,

and food and beverage sectors will commence operation in the latter half of the year.

Following the successful refinancing of the bank loan due in 2019, the Trust will continue its effort in liability management. While the liquidity situation and sizable capital market activities have caused volatilities in HIBOR, the Trust will monitor the market situation closely and seize opportunities to mitigate interest rate risks.

Volatilities in the market may bring viable investment opportunities for the Trust. We will continue to take a prudent and very cautious approach in evaluating potential opportunities globally in the uncertain market environment.

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 August 2019

## Valuation of Properties

According to the Property Valuation Reports issued by Colliers International (Hong Kong) Limited on 25 July 2019, the valuation of the properties of Champion REIT, broken down by usage as at 30 June 2019 was:

Jun 2019 Valuation	Three Garden Road HK\$' million	Langham Place HK\$' million	Sub-total HK\$' million
Office	49,370	10,854	60,224
Retail	681	23,074	23,755
Car Park	614	383	997
Miscellaneous	352	288	640
<b>Total</b>	<b>51,017</b>	<b>34,599</b>	<b>85,616</b>

As at 30 June 2019, the appraised value of the Trust's property portfolio was HK\$85.6 billion, an increase of 3.0% from HK\$83.1 billion as at 31 December 2018. The increase was primarily driven by 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 Distribution Amount of Champion REIT for the six months ended 30 June 2019 was HK\$782 million (2018: HK\$731 million), calculated as 90% of Champion REIT's total available distributable income of HK\$869 million (2018: HK\$812 million).

The distribution per unit for the six months ended 30 June 2019 ("Interim Distribution per Unit") was HK\$0.1335. This represents an annualized distribution yield of 4.3% based on the closing price of HK\$6.51 as at 28 June 2019. Such distribution per unit, however,

is subject to adjustment upon the issuance of new units between 1 July 2019 and the record date. A further announcement will be made to unitholders to notify them of any adjustment to the Interim Distribution per Unit.

## CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 17 September 2019 to Friday, 20 September 2019 ("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 30 June 2019 will be made on

Friday, 4 October 2019 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 30 June 2019, 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. on Monday, 16 September 2019.

## DEBT PROFILE

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

As at 30 June 2019

HK\$ million	Utilised facilities	Fixed rate debt <sup>(3)</sup>	Floating rate debt <sup>(3)</sup>
Secured Bank Loans	3,685	3,450	235
Unsecured Bank Loans	5,814	–	5,814
Total Bank Loans	9,499	3,450	6,049
Medium Term Notes	5,541	4,698 <sup>(4)</sup>	843
<b>Total Outstanding Debt Facilities</b>	<b>15,040</b>	<b>8,148</b>	<b>6,892</b>
<b>Percentage</b>		<b>54.2%</b>	<b>45.8%</b>

<sup>(1)</sup> All amounts are stated at face value

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

<sup>(3)</sup> After interest rate swaps

<sup>(4)</sup> 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

In June 2019, the Trust entered into new unsecured banking facilities in the total amount of HK\$5,814 million with the maturity dates falling in 2024. The proceeds were used to fully refinance the secured bank loan due in 2019 and partially repay the secured bank loan due in 2021. In addition to monitoring

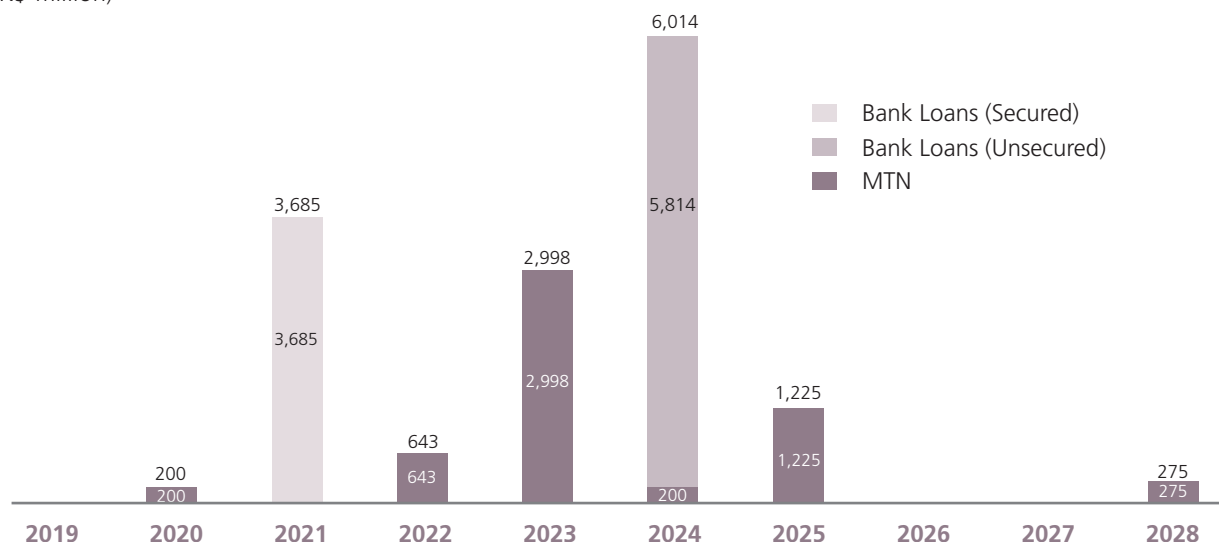
the interest rate risks closely and adopting a proactive liability management approach, we have also taken the opportunity to raise the proportion of unsecured debt with an objective to provide more financial flexibility. As at 30 June 2019, 75.5% (31 December 2018: 36.8%) of outstanding debt facilities were

unsecured and the fixed-rate debt proportion has increased to 58.2% currently after the recent interest rate swap arrangements. The average effective interest rate for the first half of 2019 was 2.9% and the average life of the Trust's outstanding debt was 3.7 years as at 30 June 2019.

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

As at 30 June 2019

(HK\$ million)



<sup>(1)</sup> All amounts are stated at face value

<sup>(2)</sup> After accounting for cross-currency swaps

The Trust's investment properties as at 30 June 2019 were appraised at a total value of HK\$85.6 billion, representing a 3.0% increase from HK\$83.1 billion as at 31 December 2018. Correspondingly, the Gearing Ratio (or total borrowings as a percentage of gross assets) decreased from 17.6% as at 31 December 2018 to 17.1% as at 30 June 2019. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 21.2% (31 December 2018: 21.7%).

### NET ASSET VALUE PER UNIT

Net Asset Value per Unit as at 30 June 2019 was HK\$11.82. It represented an 81.6% premium to the closing unit price of HK\$6.51 as at 28 June 2019.

### CASH POSITION

As at 30 June 2019, the Trust had total undrawn bank loan facilities of HK\$286 million and a cash balance of HK\$1,807 million. With these financial resources, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

### PLEDGE ASSETS

After the refinancing in June 2019, only 24.5% of outstanding debt facilities were left secured by various portions of Three Garden Road with a fair value of HK\$26.2 billion. The Trustee has provided guarantees for all of the debt facilities.

### COMMITMENTS

As at 30 June 2019, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the condensed consolidated financial statements amounting to HK\$8 million.

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

# Biographical Details of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the REIT Manager subsequent to the publication of the 2018 Annual Report of Champion REIT and up to the date of this Interim Report, are updated as follow:

## **Dr. LO Ka Shui**

*Chairman and Non-executive Director*

aged 72, was appointed the Chairman, a Non-executive Director and a member of both the Audit Committee and the Disclosures Committee of the REIT Manager in 2006. He is also a Director of all special purpose vehicles of Champion REIT. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Langham Hospitality Investments. He is also a Vice President of the Real Estate Developers Association of Hong Kong and a member of the Board of Trustees of the Hong Kong Centre for Economic Research.

Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas.

## **Ms. WONG Ka Ki, Ada**

*Chief Executive Officer and Executive Director*

aged 39, was appointed the Chief Executive Officer, an Executive Director and the Chairman of Disclosures Committee of the REIT Manager in June 2016. She is also a Director of all special purpose vehicles of Champion REIT. Ms. Wong, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. She also oversees the day-to-day operations.

Ms. Wong joined the REIT Manager as Deputy Chief Executive Officer in March 2014. She was also appointed as the Chief Investment Officer of the REIT Manager in July 2015. As Chief Investment Officer, she is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. She is also responsible for the capital structure of Champion REIT, including the planning and overseeing of capital raising activities from the market. Ms. Wong is also a Responsible Officer as defined under the Securities and Futures Ordinance.

Ms. Wong has over 15 years of finance industry experience. Prior to joining the REIT Manager, Ms. Wong worked at Citigroup and J.P. Morgan's investment banking division to offer strategic advices to a number of blue chip corporates and Hong Kong real estate companies. She has also executed numbers of landmark IPOs, capital markets fund-raising and strategic M&A transactions.

Ms. Wong graduated from University of Michigan (Ann Arbor) – Ross School of Business with a Bachelor of Business Administration degree. She was honoured with the titles of Best IR by CEO by the Hong Kong Investor Relations Association in 2017, 2018 and 2019; Directors Of the Year Awards 2018 – Listed Companies Executive Director by the Hong Kong Institute of Directors in 2018; and Asia's Best CEO by Corporate Governance Asia in 2017, 2018 and 2019. She is the Chairperson of Asia Pacific Real Estate Association Hong Kong chapter and a Fellow member of the Royal Institution of Chartered Surveyors.

**Mr. IP Yuk Keung, Albert***Non-executive Director*

aged 67, has been a Director of the REIT Manager since 2011. He was an Independent Non-executive Director of the REIT Manager prior to his re-designation as a Non-executive Director of the REIT Manager in June 2014. Mr. Ip is an international banking executive with over 30 years of experience in the United States, Asia and Hong Kong. He was a Real Estate Senior Credit Officer of Citibank since 1989, providing credit initial for approvals of real estate loans originated in Hong Kong and was also involved in financing the acquisition of various hotel assets internationally. He was North Asia Real Estate Head, Hong Kong Corporate Bank Head, Transaction Banking Head – Hong Kong and Asia Investment Finance Head (Global Wealth Management) of Citigroup. He was formerly a Managing Director of Citigroup and Managing Director of Investments in Merrill Lynch (Asia Pacific). He is an Independent Non-executive Director of Lifestyle International Holdings Limited, Power Assets Holdings Limited, TOM Group Limited and New World Development Company Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong. During the past three years, Mr. Ip was an Executive Director and Chief Executive Officer of the Manager of the publicly listed trust, Langham Hospitality Investments and an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited, New World China Land Limited, Hopewell Highway Infrastructure Limited and Hopewell Holdings Limited.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of City University of Hong Kong, The Hang Seng University of Hong Kong, Hong Kong University of Science and Technology, School of Hotel and Tourism Management at the Chinese University of Hong Kong and Adjunct Distinguished Professor in Practice at the University of Macau. He is an Honorary Professor of Lingnan University, a Professor of Practice (International Banking and Real Estate) of The Hong Kong Polytechnic University and a Council Member of The Hong Kong University of Science and Technology. He is also a Member of the Committee on Certification for Principalship (CCFP) of Education Bureau of Hong Kong, a Member of the International Advisory Committee at University of Macau and a Trustee of the Board of Trustee at Washington University in St. Louis. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis (summa cum laude), and Master of Science degrees at Cornell University and Carnegie-Mellon University. He was an MBA lecturer at University of Pittsburgh, USA. Mr. Ip is an Honorary Fellow of Vocational Training Council and Vice Chairman of World Green Organisation Limited.

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**Mr. CHA Mou Sing, Payson***Independent Non-executive Director*

aged 77, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman and Executive Director of HKR International Limited, the Chairman and Non-executive Director of Hanison Construction Holdings Limited, an Independent Non-executive Director of New World Development Company Limited and the Chairman and Non-executive Director of Million Hope Industries Holdings Limited, all of which are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited and the Executive Chairman of Mingly Corporation. Mr. Cha is a member of One Country Two Systems Research Institute Limited, a governing board member of China-United States Exchange Foundation, a board member of The Real Estate Developers Association of Hong Kong, the Chairman of Qiu Shi Science & Technologies Foundation, a trustee of Sang Ma Trust Fund and an honorary trustee of Oregon State University Foundation.

Mr. Cha holds an Honorary Doctorate Degree of Social Science from City University of Hong Kong. He has over fifty years of experience in property development and investment.

# Biographical Details of Directors

## **Mr. CHENG Wai Chee, Christopher**

### *Independent Non-executive Director*

aged 71, has been a Director of the REIT Manager since 2006. He is a member of the Audit Committee of the REIT Manager. He was a Non-executive Director of the REIT Manager prior to his re-designation as an Independent Non-executive Director of the REIT Manager in May 2014. Mr. Cheng is the Chairman of Wing Tai Properties Limited and an Independent Non-executive Director of NWS Holdings Limited, both are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Cheng plays an active role in public service. He is a member of the board of overseers at Columbia Business School, a member of the President's Council on International Activities of Yale University and the former Chairman of the Hong Kong General Chamber of Commerce.

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

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## **Mr. HO Shut Kan**

### *Independent Non-executive Director*

aged 70, has been a Director of the REIT Manager since 2007. He has been appointed as a member of the Audit Committee of the REIT Manager with effect from 23 August 2017. He was a Non-executive Director of the REIT Manager prior to his re-designation as an Independent Non-executive Director of the REIT Manager in January 2017. He has over forty years of experience in the property sector. Mr. Ho was an Executive Director and the Chief Executive Officer of Kerry Properties Limited and a director of Shang Properties, Inc.

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



**Mr. SHEK Lai Him, Abraham***Independent Non-executive Director*

aged 74, was appointed an Independent Non-executive Director in 2006. He is a member of Disclosures Committee and the Chairman of Audit Committee of the REIT Manager. Mr. Shek is a member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency since 2000. Mr. Shek is the Honorary Chairman and an Independent Non-executive Director of Chuang's China Investments Limited, the Vice Chairman and an Independent Non-executive Director of ITC Properties Group Limited, and an Independent Non-executive Director of Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, Hop Hing Group Holdings Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited, Goldin Financial Holdings Limited, Everbright Grand China Assets Limited, CSI Properties Limited and Far East Consortium International Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an Independent Non-executive Director of Regal Portfolio Management Limited (manager of the publicly listed Regal REIT). Mr. Shek is a Non-executive Director of the Mandatory Provident Fund Schemes Authority and the Chairman and an Independent Member of the Board of Governors of English Schools Foundation (ESF). During the past three years, Mr. Shek was an Independent Non-executive Director of ITC Corporation Limited (now known as PT International Development Corporation Limited), Jinheng Automotive Safety Technology Holdings Limited (now known as TUS International Limited), Midas International Holdings Limited (now known as Magnus Concordia Group Limited) and MTR Corporation Limited. He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

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

# Corporate Governance

Champion REIT is committed to attaining global best practices and standards for all activities and transactions conducted in relation to the Trust and any matters arising out of its listing or trading on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The current corporate governance framework adopted by the REIT Manager emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures. The REIT Manager has in place a comprehensive set of compliance procedures and guidelines which set out the key processes, systems and measures used to implement this corporate governance framework.

The Board of Directors of the REIT Manager plays a central support and supervisory role in the corporate governance duties and bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures. It regularly reviews the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance, approving changes to governance policies in light of the latest statutory regime and international best practices, and reviewing corporate governance disclosures.

## **AUTHORISATION STRUCTURE**

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the Securities and Futures Commission (“SFC”) under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and regulated by the SFC pursuant to the provisions of the SFO, the Code on Real Estate Investment Trusts (“REIT Code”) and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Ms. Wong Ka Ki, Ada, the Chief Executive Officer and Executive Director, Ms. Lau Yee Tong, Yvonne, the Chief Operating Officer – Asset Management and Mr. Kwong Chi Kwong, the Chief Operating Officer – Risk Management are the Responsible Officers of the REIT Manager pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code. The Responsible Officers have completed the Continuous Professional Training as required by the SFO for each calendar year.

HSBC Institutional Trust Services (Asia) Limited (“Trustee”) is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of Unitholders, and to oversee the activities of the REIT Manager in accordance with and for compliance with the Deed of Trust constituting Champion REIT (“Trust Deed”), other relevant constitutive documents and the regulatory requirements applicable to Champion REIT. Whereas the REIT Manager is responsible for managing Champion REIT in accordance with the Trust Deed and ensuring that the financial and economic aspects of Champion REIT’s assets are professionally managed in the sole interest of Unitholders. The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Trust Deed entered into between the REIT Manager and the Trustee on 26 April 2006 as amended from time to time.

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

## **FUNCTIONS OF THE BOARD OF DIRECTORS OF THE REIT MANAGER AND DELEGATION**

### **Board of Directors**

The Board of the REIT Manager is responsible for ensuring that the REIT Manager discharges its duties under the Trust Deed, which include but not limited to managing the Trust in accordance with the Trust Deed in the sole interest of the Unitholders, ensuring sufficient oversight of the daily operations and financial conditions of the Trust when managing the Trust, and ensuring compliance with the licensing and authorisation conditions of the REIT Manager and the Trust and with any applicable laws, rules, codes or guidelines issued by government departments, regulatory bodies, exchanges or any other organisations regarding the activities of the Trust or its administration. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to the Board committees. The Board also has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT.

The Board currently comprises 7 members, with 1 Executive Director, 2 Non-executive Directors and 4 Independent Non-executive Directors. The REIT Manager has in place a policy concerning diversity of Board members. The REIT Manager believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. In addition, the REIT Manager has adopted a Nomination Policy. It sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the REIT Manager.

The Board of the REIT Manager may establish Board committees with clear terms of reference to review specific issues or items. The two standing Board committees established are the Audit Committee and the Disclosures Committee. There is no change to the composition of the Board or any of its committees during the six months ended 30 June 2019.

# Corporate Governance

## **Audit Committee**

The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's risk management and internal control systems. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee currently comprises 3 Independent Non-executive Directors (namely, Mr. Shek Lai Him, Abraham, Mr. Cheng Wai Chee, Christopher and Mr. Ho Shut Kan) and a Non-executive Director (namely, Dr. Lo Ka Shui). Mr. Shek is the Chairman of the Audit Committee.

The Audit Committee is also delegated by the Board of Directors to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships. The Audit Committee shall consider all individuals recommended to be Directors by any Directors or shareholders of the REIT Manager in accordance with the Nomination Policy of the REIT Manager.

## **Disclosures Committee**

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

### Manager-In-Charge

Under the regulatory regime of SFC by classification of eight core functions, the Board has assigned each of the core functions to the designated management person as the Manager-In-Charge ("MIC"). Each of the MICs has acknowledged the appointment and particular responsibility. The core functions and the respective MICs according to the SFC Circular are set out below:

Function	MIC(s)
1. Overall Management Oversight	Chief Executive Officer
2. Key Business Line	Chief Executive Officer
3. Operational Control and Review	Chief Operating Officer – Asset Management and Internal Audit Manager
4. Risk Management	Internal Audit Manager
5. Finance and Accounting	Business Development Director* and Senior Finance Manager
6. Information Technology	Chief Operating Officer – Risk Management
7. Compliance	Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	Chief Operating Officer – Risk Management and Compliance Manager

\* Appointed on 20 February 2019

# Corporate Governance

## **CONFLICTS OF INTERESTS AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED**

As mentioned hereinbefore, the REIT Manager and the Property Manager are providing the management and operating services to Champion REIT respectively. Whereas Longworth Management Limited (“Longworth”) and The Great Eagle Properties Management Company, Limited (“GEPM”) are acting as the respective DMC managers, CAF manager and estate manager of Three Garden Road, Langham Place Office Tower and Langham Place Mall (as the case may be). Each of the above companies is a wholly-owned subsidiary of Great Eagle Holdings Limited (“Great Eagle”). Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. Moreover, Dr. Lo Ka Shui and Mr. Ip Yuk Keung, Albert are directors of Great Eagle and/or its affiliated companies. There may be potential conflicts of interests between Great Eagle and Champion REIT in respect of the performance of estate management services in relation to Three Garden Road and Langham Place or other properties.

### **Business Competition**

The Great Eagle Group is one of Hong Kong’s leading property companies. The Group also owns and manages an extensive international hotel portfolio branded under “Langham” and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, Australasia, North America and Europe. There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things, the development, investment in and management of, properties in the residential, office, retail, and hotel sectors in Hong Kong and overseas.

### **Estate Management Services**

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

### **Leasing and Marketing**

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

### **Procedures to deal with Conflicts of Interests**

The REIT Manager has instituted various procedures to deal with potential conflicts of interests issues, including but not limited to: (i) in respect of matters in which a Director has an interest, direct or indirect, in any contract or arrangement to which Champion REIT (whether through the REIT Manager or the Trustee) is a party, such interested Director shall disclose his/her interest to the Board and abstain from voting at a meeting of the Directors at which the relevant matters are to be decided; (ii) the REIT Manager is a dedicated manager to Champion REIT and will not manage any other real estate investment trust or be involved in any other real property business; (iii) 6 out of 7 or more than 85% of the Board members are not related to Great Eagle. The Independent Non-executive Directors will act independently for the interests of Champion REIT; (iv) the management structure of the REIT Manager includes the Audit Committee to promote a high level of corporate governance and address any potential conflicts of interests with Great Eagle; (v) the REIT Manager has adopted the Compliance Manual and Operations Manual which set out detailed compliance procedures in connection with its operations; (vi) the REIT Manager has a team of full-time senior management and employees that operates independently of Great Eagle; and (vii) all connected party transactions are managed in accordance with the requirements set out in the REIT Code, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Champion REIT.

### **COMPLIANCE**

During the six months ended 30 June 2019, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Listing Rules applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019.

The REIT Manager has adopted a Code Governing Dealings in Securities by the Management Persons (the "Code on Securities Dealings") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Management Persons include directors, executive officers and the company secretary of the REIT Manager. The REIT Manager has made specific enquiry of the Management Persons who have confirmed that they have complied with the required standard set out in the Code on Securities Dealings during the six months ended 30 June 2019.

### **REVIEW OF INTERIM RESULTS**

The unaudited interim results of Champion REIT for the six months ended 30 June 2019 have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by the Trust's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

# Connected Party Transactions Report

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

## CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group for the 6 months ended 30 June 2019 ("Period").

Great Eagle Holdings Limited ("Great Eagle") is a connected person of Champion REIT by virtue of being the holding company of the REIT Manager and also being a significant holder (as defined under the REIT Code) of Champion REIT through the direct unitholdings of its controlled corporations (including Top Domain International Limited, Keen Flow Investments Limited and Bright Form Investments Limited, each being a significant holder of Champion REIT) as more particularly described under the section headed "Disclosure of Interests" of this Interim Report. The Great Eagle Connected Persons Group means those who are connected persons of Champion REIT by virtue of their relationship (including but not limited to being a director, senior executive, officer or associate (as defined under the REIT Code)) with Great Eagle.

### Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	140,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction <sup>1</sup>	188,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction <sup>2</sup>	4,813,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	29,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction <sup>3</sup>	3,994,000
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction <sup>4</sup>	11,854,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Leasing transaction <sup>5</sup>	5,533,000
<b>Total</b>			<b>26,551,000</b>



**Connected Party Transactions – Building Management Fee Income (Revenue)**

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income <sup>1</sup>	41,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income <sup>2</sup>	513,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income <sup>3</sup>	464,000
Best Come Limited	Subsidiary of Great Eagle	Building management fee income <sup>4</sup>	1,405,000
Ease Treasure Investment Limited	Subsidiary of Great Eagle	Building management fee income <sup>5</sup>	658,000
<b>Total</b>			<b>3,081,000</b>

**Connected Party Transactions – Estate Management Transactions (Expenditures)**

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	581,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	43,764,000 <sup>6</sup>
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	451,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	3,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Marketing expense	8,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	164,000
<b>Total</b>			<b>44,971,000</b>

# Connected Party Transactions Report

## Notes:

1. A security deposit by way of cash of approximately HK\$117,000 provided by Eagle Asset Management (CP) Limited was held by the Trust as at the Period end date.
2. Security deposits by way of bank guarantee and cash in an aggregate amount of approximately HK\$3,188,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Period end date.
3. A security deposit by way of cash of approximately HK\$2,103,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Period end date.
4. Security deposits by way of corporate guarantee and cash in the amount of HK\$8,236,000 and HK\$8,326,000 respectively provided by Best Come Limited were held by the Trust as at the Period end date.
5. Security deposits by way of corporate guarantee and cash in the amount of HK\$1,601,000 and HK\$1,661,000 respectively provided by Ease Treasure Investment Limited were held by the Trust as at the Period end date.
6. Out of this HK\$43,764,000, approximately HK\$42,165,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$1,599,000 represented the amount of reimbursement of estate management expenses paid under the CAF Management Agreement (in relation to the common areas/facilities of Langham Place). Both Langham Place Mall Estate Management Agreement and CAF Management Agreement are Pre-Existing Agreements with The Great Eagle Properties Management Company, Limited. Pursuant to the Langham Place Mall Estate Management Agreement, the Mall Estate Manager was entitled to retain at all times an amount equal to one-sixth of the annual expenditure under the approved budget for the year ended 31 December 2019; so as to enable the Mall Estate Manager to make payment of estate management expenses.

## PRE-EXISTING AGREEMENTS

The following tables set forth information on the agreements previously entered into with the Great Eagle Connected Persons Group in relation to the management and operation of Three Garden Road and Langham Place before the acquisition by Champion REIT, which will continue to subsist and are subject to annual limits of the waiver from strict compliance with the requirements and/or reporting requirements under Chapter 8 of the REIT Code.

### Pre-Existing Agreements subject to Waiver

The following Pre-Existing Agreements are among the connected parties transactions with the Great Eagle Connected Persons Group as disclosed above and they are dealt with as if they were connected party transactions which are subject to annual limits of the waiver from strict compliance with the requirements under Chapter 8 of the REIT Code:

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Period HK\$
Langham Place Mall Estate Management Agreement	The Great Eagle Properties Management Company, Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	42,165,000
CAF Management Agreement (in relation to the common areas/facilities of Langham Place)	The Great Eagle Properties Management Company, Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	1,599,000

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

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/Expenses for the Period HK\$
DMC (deed of mutual covenant) for Langham Place	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense <sup>1</sup>	1,824,000
Office Sub-DMC (sub-deed of mutual covenant) for Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense <sup>2</sup>	26,643,000
Deed of Delegation	The Great Eagle Properties Management Company, Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Delegation of management functions of common areas/facilities	Nil
Property Management Agreement	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services and reimbursement	73,464,000 <sup>4</sup>
DMC (deed of mutual covenant) for Three Garden Road	The Great Eagle Properties Management Company, Limited (as DMC Sub-manager appointed by the DMC Manager of Three Garden Road)	Subsidiary of Great Eagle	Building management fee expense <sup>3</sup>	85,885,000 <sup>5</sup>

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the Period end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Period end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Sub-manager of Three Garden Road as at the Period end date.
4. Out of this HK\$73,464,000, approximately HK\$41,806,000 represented the amount of property and lease management service fee paid, approximately HK\$27,309,000 represented the amount of rental commission paid and approximately HK\$4,349,000 represented the amount of reimbursement paid to The Great Eagle Properties Management Company, Limited as delegate for operating the carparks of Langham Place and Three Garden Road.
5. It represented the amount of building management fee paid under the DMC for Three Garden Road.

# Connected Party Transactions Report

## OTHER CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

### REIT Manager's fee

Eagle Asset Management (CP) Limited, a wholly-owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee of approximately HK\$151,514,000, being the 12% of the net property income of Champion REIT for such services rendered during the Period, is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

In 2012, the REIT Manager has notified the Trustee in writing and elected to receive 50% of the Manager's Fee in the form of Units and the balance of 50% in cash for the financial year 2013. As no change has been made by the REIT Manager, according to Clause 11.1.2 of the Trust Deed, the way of receipt of the Manager's Fee as to 50% in the form of Units and 50% in cash remains applicable to the financial year 2019. For the Period, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$75,757,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$75,757,000.

### Other Miscellaneous Expenditure

An amount of HK\$16,000 in respect of the venue rental fee for investor relations event during the Period was paid by Champion REIT to Clever Gain Investment Limited, a wholly-owned subsidiary of Great Eagle.

## CONNECTED PARTY TRANSACTIONS WITH THE TRUSTEE AND/OR THE TRUSTEE CONNECTED PERSONS GROUP

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

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

HSBC Group means The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Champion REIT).

**Connected Party Transactions – Ordinary Banking and Financial Services**

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/Expenses for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	5,119,000
HSBC Group	Trustee Connected Persons	Bank charge	79,000
HSBC	Trustee Connected Persons	Interest income of interest rate swap	3,240,000
HSBC	Trustee Connected Persons	Loan interest/expense	2,196,000
Hang Seng Bank Limited <sup>1,2</sup> ("Hang Seng")	Trustee Connected Persons	Loan interest/expense	120,757,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swaps contracts with HSBC during the Period. The total notional amount in respect of such swap contracts with HSBC was US\$386,400,000 as at the Period end date.

CP Success Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained interest rate swap contracts with HSBC during the Period. The total notional amount in respect of such swap contracts with HSBC was HK\$1,900,000,000.

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) entered into an interest rate swap contract with HSBC during the Period. The total notional amount in respect of such swap contract with HSBC was HK\$200,000,000.

HSBC is one of the mandated lead arrangers under the Facility Agreement dated 14 June 2019 in respect of HK\$850 million revolving loan facility.

Notes:

1. Hang Seng is a subsidiary of HSBC. It acted as the facility agent for the term loan and revolving credit facilities of HK\$5,500 million which had been repaid in full during the period ended 30 June 2019.
2. Hang Seng is a subsidiary of HSBC. It acts as the facility agent for the term loan facility of HK\$5,800 million, with a total amount of HK\$5,800 million being drawn down on 28 June 2016 and an amount of HK\$2,115 million being repaid up to 30 June 2019. The outstanding loan as at 30 June 2019 amounted to HK\$3,685 million. Syndicates of lenders of the facility include Hang Seng and HSBC. As at 30 June 2019, various portions of Three Garden Road were mortgaged to the syndicates of lenders as security.

# Connected Party Transactions Report

## **Connected Party Transactions – Others**

During the Period, the trustee fee of approximately HK\$7,324,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

## **CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS**

During the Period, the valuation fee of approximately HK\$88,000 had been incurred for services rendered by Colliers International (Hong Kong) Limited in the capacity as the principal valuer of Champion REIT.

Hong Kong, 14 August 2019

Note: All figures presented in this “CONNECTED PARTY TRANSACTIONS REPORT” have been rounded to the nearest thousand.

# Disclosure of Interests

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

As at 30 June 2019, the following persons had interests or short positions in the Units, underlying Units and debentures of Champion REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were recorded in the register required to be kept under Schedule 3 of the Trust Deed, are as follows:

Name	Total Number of Units/ Underlying Units Held <sup>7</sup>	Percentage of Issued Units <sup>8</sup>
<b>Directors and Chief Executive of the REIT Manager</b>		
Lo Ka Shui	3,893,921,643 <sup>1</sup>	66.47
Cheng Wai Chee, Christopher	13,424,730 <sup>4</sup>	0.23
Wong Ka Ki, Ada	400,000 <sup>5</sup>	0.01
<b>REIT Manager</b> <i>(also a substantial Unitholder)</i>		
Eagle Asset Management (CP) Limited	421,481,005	7.19
<b>Substantial Unitholders</b>		
Great Eagle Holdings Limited	3,872,227,643 <sup>2</sup>	66.10
HSBC International Trustee Limited	3,862,814,667 <sup>3</sup>	65.93
HKSCC Nominees Limited	2,319,701,042 <sup>6</sup>	39.60
Top Domain International Limited	1,420,416,628	24.25
Keen Flow Investments Limited	1,071,375,933	18.29
Bright Form Investments Limited	680,232,558	11.61

Notes:

1. Among these 3,893,921,643 Units:

- (a) 50,000 Units, 940,000 Units, 589,000 Units and 1,000,000 Units were respectively held by Alexander C H Limited, Elizabeth B K Limited, Katherine B L Limited and Nicholas C N Limited, all of which are wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
- (b) 19,115,000 Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee; and
- (c) 3,872,227,643 Units were indirectly held by Great Eagle as explained in Note 2 below. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle.

The unitholdings of Dr. Lo Ka Shui and his associates increased by 11,411,249 Units/underlying Units in aggregate as compared with the position as at 31 December 2018.

## Disclosure of Interests

2. The 3,872,227,643 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table, which shows the number of Units and/or underlying Units held by these companies as at 30 June 2019 and 31 December 2018 respectively:

Name	Number of Units/ Underlying Units Held As at 30 June 2019	Number of Units/ Underlying Units Held As at 31 December 2018
Top Domain International Limited	1,420,416,628	1,420,416,628
Keen Flow Investments Limited	1,071,375,933	1,071,375,933
Bright Form Investments Limited	680,232,558	680,232,558
Eagle Asset Management (CP) Limited	421,481,005	410,070,210
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	14,273,273	14,272,819
Ecobest Ventures Limited	3,095,000	3,095,000

3. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as at 8 March 2019) received from HSBC International Trustee Limited ("HITL"). When compared with the position as at 31 December 2018, the unitholdings of HITL increased by 3,413,390 Units.

HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 33.23% interests in Great Eagle as at 30 June 2019. Dr. Lo Ka Shui (a director of the REIT Manager), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui (all are the directors of Great Eagle) are among the discretionary beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his personal capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust altogether held 27.43% voting right in the capital of Great Eagle as at 30 June 2019.

4. These Units were held by a trust of which Mr. Cheng Wai Chee, Christopher is a beneficiary. The unitholdings of Mr. Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 31 December 2018.
5. These Units were held by Ms. Wong Ka Ki, Ada's spouse. The unitholdings of Ms. Wong Ka Ki, Ada remained unchanged as compared with the position as at 31 December 2018.
6. As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited increased by 2,395,531 Units when compared with the position as at 31 December 2018.
7. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.
8. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,858,503,599 as at 30 June 2019.

Save as disclosed above, so far as is known to the REIT Manager, none of the Directors and Chief Executive of the REIT Manager and no other persons had any interests (or were deemed to be interested) and short positions in the Units, underlying Units and debentures of Champion REIT as at 30 June 2019 which were required to be notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were required to be recorded in the register kept under Schedule 3 of the Trust Deed.



## HOLDINGS OF OTHER CONNECTED PERSON

As at 30 June 2019, in addition to the disclosures in the above section headed “Holdings of Directors and Chief Executive of the REIT Manager, the REIT Manager and Substantial Unitholders”, so far as the REIT Manager is aware of, the following connected person (as defined under the REIT Code) of Champion REIT, held Units and/or underlying Units of Champion REIT:

Name	Total Number of Units Held	Percentage of Issued Units <sup>2</sup>
HSBC Group	546,467 <sup>1</sup>	0.01

Notes:

1. The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries, unless otherwise expressly stated herein) (“HSBC Group”) are connected persons by virtue of being holding company, controlling entities, subsidiaries or associated companies (as defined under the REIT Code) of the Trustee of Champion REIT according to the information available to the REIT Manager. The number of Units held by HSBC Group decreased by 1,911,953 Units as compared with the position as at 31 December 2018.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,858,503,599 as at 30 June 2019.

Save as disclosed above, the REIT Manager is not aware of any other connected persons (as defined under the REIT Code) of Champion REIT holding any Units and/or underlying Units of Champion REIT as at 30 June 2019.

# Disclosure of Interests

## **HOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OF THE REIT MANAGER IN GREAT EAGLE HOLDINGS LIMITED AND LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED**

Great Eagle is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited (“Langham”). As at 30 June 2019, Great Eagle owned 3,872,227,643 units (66.10%) in Champion REIT and 1,339,750,641 share stapled units (63.14%) in Langham. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle and Langham as at 30 June 2019 are disclosed as follows:

### **Great Eagle**

Dr. Lo Ka Shui had a personal interest in 51,173,303 shares and 1,386,000 share options and a corporate interest in 78,798,292 shares of Great Eagle as at 30 June 2019. He is the founder of a discretionary trust which owned 60,788,762 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 232,829,848 shares in Great Eagle as at 30 June 2019.

Mr. Ip Yuk Keung, Albert had a personal interest in 60,000 shares of Great Eagle as at 30 June 2019.

Ms. Wong Ka Ki, Ada had a personal interest in 27,909 shares and 320,000 share options of Great Eagle as at 30 June 2019.

### **Langham**

Dr. Lo Ka Shui had a personal interest in 8,073,500 share stapled units of Langham. He had a corporate interest in 2,060,000 share stapled units of Langham and was deemed to be interested in 1,341,810,641 share stapled units of Langham held by Great Eagle as at 30 June 2019 by virtue of being a substantial shareholder, the Chairman and Managing Director of Great Eagle. He is also a settlor and member of Advisory Committee and Management Committee of a charitable trust which owned 44,100,000 share stapled units in Langham as at 30 June 2019.

Mr. Ip Yuk Keung, Albert had a joint interest with his spouse in 2,015,000 share stapled units of Langham as at 30 June 2019.

# Other Information

## NEW UNITS ISSUED

On 8 March 2019, 11,410,795 new Units were issued to the REIT Manager at the price of HK\$6.46 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee arising from the real estate owned by Champion REIT of approximately HK\$73,713,800 payable by Champion REIT for the six months ended 31 December 2018.

Except for the above, no new Units were issued during the six months ended 30 June 2019. As at 30 June 2019, the total number of issued Units of Champion REIT was 5,858,503,599.

## 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 six months ended 30 June 2019.

## RELEVANT INVESTMENTS

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

As at 31 July 2019	Type	Primary Listing	Country of Issuer	Currency	Total Cost	Mark-to-market Value	Weighting of GAV (%)	Credit Rating
KERPRO 5 <sup>7</sup> / <sub>8</sub> 04/06/21	Bond	Singapore Exchange	BVI	USD	HK\$67,296,000	HK\$62,253,000	0.0737%	N/A
NANFUN 4 <sup>1</sup> / <sub>2</sub> 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$9,797,000	HK\$9,756,000	0.0115%	S&P BBB-
NANFUN 4 <sup>7</sup> / <sub>8</sub> 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$56,603,000	HK\$57,256,000	0.0678%	S&P BBB-
NWDEVL 5 <sup>1</sup> / <sub>4</sub> 02/26/21	Bond	HKEX	BVI	USD	HK\$41,574,000	HK\$40,389,000	0.0478%	N/A
PCCW 3 <sup>3</sup> / <sub>4</sub> 03/08/23	Bond	Singapore Exchange	BVI	USD	HK\$49,641,000	HK\$50,598,000	0.0599%	S&P BBB
<b>Total</b>					<b>HK\$224,911,000</b>	<b>HK\$220,253,000</b>	<b>0.2607%</b>	

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.

# Other Information

## **EMPLOYEES**

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself.

## **SUSTAINABILITY**

Sustainability constitutes an integral part of our corporate culture, creating long-term values to our stakeholders, as well as enhancing harmony and synergy among our stakeholders and the community. To assimilate sustainability into our business objectives, we take a proactive approach to devising up-to-date environmental, social and governance (“ESG”) strategies which keep abreast with the fast-changing world. The Trust has established a Sustainability Working Group to further enhance its effort in ESG aspects. Various energy savings projects, such as the demand control ventilation enabled by the Internet of Things (“IoT”) for carpark, have been introduced at our premises. Under the theme of “Champion Our Wellness”, the Trust is also running a broad array of enriching wellness programmes to enhance work-life balance for stakeholders, including mindful eating and healthy diet events.

## **BUY-BACK, SALE OR REDEMPTION OF CHAMPION REIT’S UNITS**

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 30 May 2019. During the six months ended 30 June 2019, 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 report, the Trust has maintained a sufficient public float with more than 25% of the issued and outstanding Units of Champion REIT being held by the public.

# Financials

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# Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

## TO THE BOARD OF DIRECTORS OF EAGLE ASSET MANAGEMENT (CP) LIMITED

(as Manager of Champion Real Estate Investment Trust)

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust (“Champion REIT”) and its subsidiaries set out on pages 37 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. Eagle Asset Management (CP) Limited (the “Manager” of Champion REIT) is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

14 August 2019

# Condensed Consolidated Income Statement

For the six months ended 30 June 2019

		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
	Notes		
Rental income	4	1,381,528	1,284,859
Building management fee income	4	153,192	142,162
Rental related income		18,222	17,754
<b>Total revenue</b>		<b>1,552,942</b>	<b>1,444,775</b>
Property operating expenses	5	(290,323)	(268,014)
<b>Net property income</b>		<b>1,262,619</b>	<b>1,176,761</b>
Interest income		19,758	10,900
Manager's fee	6	(151,514)	(141,211)
Trust and other expenses		(12,460)	(16,307)
Increase in fair value of investment properties		2,455,700	4,033,138
Finance costs	7	(238,076)	(197,934)
<b>Profit before tax and distribution to unitholders</b>	8	<b>3,336,027</b>	<b>4,865,347</b>
Income taxes	9	(149,500)	(143,020)
<b>Profit for the period, before distribution to unitholders</b>		<b>3,186,527</b>	<b>4,722,327</b>
Distribution to unitholders	11	(782,031)	(731,022)
<b>Profit for the period, after distribution to unitholders</b>		<b>2,404,496</b>	<b>3,991,305</b>
<b>Basic earnings per unit</b>	12	<b>HK\$0.54</b>	<b>HK\$0.81</b>

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Profit for the period, after distribution to unitholders</b>	<b>2,404,496</b>	<b>3,991,305</b>
<b>Other comprehensive income:</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(2,494)	51,173
Reclassification of fair value adjustments to profit or loss	4,483	(4,325)
	<b>1,989</b>	<b>46,848</b>
<b>Total comprehensive income for the period</b>	<b>2,406,485</b>	<b>4,038,153</b>



# Condensed Consolidated Statement of Financial Position

As at 30 June 2019

		At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
	Notes		
<b>Non-current assets</b>			
Investment properties	13	85,616,000	83,135,000
Notes receivables	14	216,997	218,705
Derivative financial instruments	20	18,933	39,399
Total non-current assets		85,851,930	83,393,104
<b>Current assets</b>			
Trade and other receivables	15	250,216	296,849
Tax recoverable		589	1,022
Derivative financial instruments	20	956	–
Time deposit with original maturity over three months	16	200,000	200,000
Bank balances and cash	16	1,606,988	1,399,530
Total current assets		2,058,749	1,897,401
<b>Total assets</b>		<b>87,910,679</b>	<b>85,290,505</b>
<b>Current liabilities</b>			
Trade and other payables	17	1,362,835	1,337,168
Deposits received		795,101	761,175
Tax liabilities		138,046	30,363
Distribution payable		782,031	799,023
Bank borrowings	18	842,787	3,696,715
Medium term notes	19	199,840	–
Total current liabilities		4,120,640	6,624,444
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank borrowings	18	8,589,406	5,771,097
Medium term notes	19	5,332,622	5,536,292
Derivative financial instruments	20	5,616	17,860
Deferred tax liabilities	21	621,268	579,884
Total non-current liabilities, excluding net assets attributable to unitholders		14,548,912	11,905,133
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>18,669,552</b>	<b>18,529,577</b>
<b>Net assets attributable to unitholders</b>		<b>69,241,127</b>	<b>66,760,928</b>
<b>Number of units in issue ('000)</b>	22	<b>5,858,504</b>	<b>5,847,093</b>
<b>Net asset value per unit</b>	23	<b>HK\$11.82</b>	<b>HK\$11.42</b>

# Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2019

	Issued units HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders at 1 January 2018 (audited)	24,278,216	(6,187)	5,757,943	30,321,270	60,351,242
Profit for the period, after distribution to unitholders	–	–	–	3,991,305	3,991,305
Cash flow hedges	–	46,848	–	–	46,848
Total comprehensive income for the period	–	46,848	–	3,991,305	4,038,153
Issue of units	66,118	–	–	–	66,118
<b>Net assets attributable to unitholders as at 30 June 2018 (unaudited)</b>	<b>24,344,334</b>	<b>40,661</b>	<b>5,757,943</b>	<b>34,312,575</b>	<b>64,455,513</b>
Net assets attributable to unitholders at 1 January 2019 (audited)	24,414,939	(15,236)	5,757,943	36,603,282	66,760,928
Profit for the period, after distribution to unitholders	–	–	–	2,404,496	2,404,496
Cash flow hedges	–	1,989	–	–	1,989
Total comprehensive income for the period	–	1,989	–	2,404,496	2,406,485
Issue of units (note 22)	73,714	–	–	–	73,714
<b>Net assets attributable to unitholders as at 30 June 2019 (unaudited)</b>	<b>24,488,653</b>	<b>(13,247)</b>	<b>5,757,943</b>	<b>39,007,778</b>	<b>69,241,127</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Operating Activities</b>		
Profit before tax and distribution to unitholders	3,336,027	4,865,347
Adjustments for:		
Increase in fair value of investment properties	(2,455,700)	(4,033,138)
Manager's fee payable in units	75,757	70,605
Interest income	(19,758)	(10,900)
Exchange difference	373	(900)
Finance costs	238,076	197,934
Operating cash flow before movements in working capital	1,174,775	1,088,948
Decrease in trade and other receivables	43,245	15,432
Increase (decrease) in trade and other payables	27,009	(253)
Increase in deposits received	33,926	38,066
Cash generated from operations	1,278,955	1,142,193
Interest paid	(229,403)	(193,119)
Hong Kong Profits Tax paid	–	(1,137)
<b>Net cash from operating activities</b>	<b>1,049,552</b>	<b>947,937</b>
<b>Investing activities</b>		
Interest received	24,356	9,342
Additions to investment properties	(14,135)	(6,862)
Placement of time deposits with original maturity over three months	–	(200,000)
<b>Net cash from (used in) investing activities</b>	<b>10,221</b>	<b>(197,520)</b>
<b>Financing activities</b>		
Bank loans raised	5,813,635	–
Distribution paid	(799,100)	(731,113)
Repayment of bank loan	(5,815,000)	(275,000)
Loan origination fees	(51,850)	–
Proceeds from issuance of medium term notes	–	475,000
Issuance cost of medium term notes	–	(690)
<b>Net cash used in financing activities</b>	<b>(852,315)</b>	<b>(531,803)</b>
<b>Net increasing in cash and cash equivalents</b>	<b>207,458</b>	<b>218,614</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,399,530</b>	<b>1,190,389</b>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>1,606,988</b>	<b>1,409,003</b>

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 1. GENERAL

Champion Real Estate Investment Trust (“Champion REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units are listed on The Stock Exchange of Hong Kong Limited. Champion REIT is governed by the deed of trust dated 26 April 2006, as amended from time to time (the “Trust Deed”), entered into between Eagle Asset Management (CP) Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”), and the Code on Real Estate Investment Trusts (the “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 with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

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

At 30 June 2019, the Group’s net current liabilities amounted to HK\$2,061,891,000. The Manager is of the opinion that, taking into account the internal financial resources of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

### Principal accounting policies

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Principal accounting policies (continued)

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

#### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

##### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Principal accounting policies (continued)

#### Application of new and amendments to HKFRSs (continued)

#### 2.1 Impacts and changes in accounting policies on application of HKFRS 16“ Leases” (continued)

##### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

###### **As a lessor**

###### *Allocation of consideration to components of a contract*

Effective on 1 January 2019, the Group applies HKFRS 15“ Revenue from Contracts with Customers” to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

###### *Refundable rental deposits*

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value.

###### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

###### **Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4“ Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Principal accounting policies (continued)

#### Application of new and amendments to HKFRSs (continued)

#### 2.1 Impacts and changes in accounting policies on application of HKFRS 16“ Leases” (continued)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

###### *As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group’s condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets. The adjustment has no material financial impact on the condensed consolidated financial statements of the Group for the current period.
- (c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Manager, for the purpose of resource allocation and performance assessment are 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 period under review.

#### For the six months ended 30 June 2019

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>Segment revenue</b>	<b>821,711</b>	<b>211,738</b>	<b>519,493</b>	<b>1,552,942</b>
<b>Segment results – Net property income</b>	<b>665,848</b>	<b>170,029</b>	<b>426,742</b>	<b>1,262,619</b>
Interest income				19,758
Manager's fee				(151,514)
Trust and other expenses				(12,460)
Increase in fair value of investment properties				2,455,700
Finance costs				(238,076)
<b>Profit before tax and distribution to unitholders</b>				<b>3,336,027</b>
Income taxes				(149,500)
<b>Profit for the period, before distribution to unitholders</b>				<b>3,186,527</b>
Distribution to unitholders				(782,031)
<b>Profit for the period, after distribution to unitholders</b>				<b>2,404,496</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	<b>1,101,700</b>	<b>944,000</b>	<b>410,000</b>	<b>2,455,700</b>



### 3. SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results (continued)

For the six months ended 30 June 2018

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>Segment revenue</b>	<b>749,703</b>	<b>192,153</b>	<b>502,919</b>	<b>1,444,775</b>
<b>Segment results – Net property income</b>	<b>606,970</b>	<b>154,841</b>	<b>414,950</b>	<b>1,176,761</b>
Interest income				10,900
Manager's fee				(141,211)
Trust and other expenses				(16,307)
Increase in fair value of investment properties				4,033,138
Finance costs				(197,934)
<b>Profit before tax and distribution to unitholders</b>				<b>4,865,347</b>
Income taxes				(143,020)
<b>Profit for the period, before distribution to unitholders</b>				<b>4,722,327</b>
Distribution to unitholders				(731,022)
<b>Profit for the period, after distribution to unitholders</b>				<b>3,991,305</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	<b>2,359,138</b>	<b>220,000</b>	<b>1,454,000</b>	<b>4,033,138</b>

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 3. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2019, the fair values of Three Garden Road, Langham Place Office Tower and Langham Place Mall were HK\$51,017,000,000 (31 December 2018: HK\$49,890,000,000), HK\$10,854,000,000 (31 December 2018: HK\$9,910,000,000) and HK\$23,745,000,000 (31 December 2018: HK\$23,335,000,000), respectively.

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

### Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the six months ended 30 June 2019 and 2018.

## 4. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Property rental income	1,357,932	1,261,153
Car park income	23,596	23,706
<b>Rental income</b>	<b>1,381,528</b>	<b>1,284,859</b>

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Building management fee income</b>	<b>153,192</b>	<b>142,162</b>

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

#### 4. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME (CONTINUED)

Set out below is the reconciliation of the revenue from contracts with customers for the six months ended 30 June 2019 and 2018 with the amounts disclosed in the segment information.

##### For the six months ended 30 June 2019

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Building management fee income	83,605	26,654	42,933	153,192
Rental related income	605	348	8,345	9,298
<b>Revenue from contracts with customers</b>	<b>84,210</b>	<b>27,002</b>	<b>51,278</b>	<b>162,490</b>
Rental income and rental related income	737,501	184,736	468,215	1,390,452
	<b>821,711</b>	<b>211,738</b>	<b>519,493</b>	<b>1,552,942</b>

##### For the six months ended 30 June 2018

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Building management fee income	77,856	25,068	39,238	142,162
Rental related income	1,506	53	8,148	9,707
<b>Revenue from contracts with customers</b>	<b>79,362</b>	<b>25,121</b>	<b>47,386</b>	<b>151,869</b>
Rental income and rental related income	670,341	167,032	455,533	1,292,906
	<b>749,703</b>	<b>192,153</b>	<b>502,919</b>	<b>1,444,775</b>

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 5. PROPERTY OPERATING EXPENSES

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Building management expenses	157,295	153,485
Car park operating expenses	5,254	5,526
Government rent and rates	38,766	37,687
Legal cost and stamp duty	2,991	1,575
Promotion expenses	9,520	7,713
Property and lease management service fee	41,806	38,961
Property miscellaneous expenses	1,577	1,251
Rental commission	30,728	20,646
Repairs and maintenance	2,386	1,170
	<b>290,323</b>	<b>268,014</b>

## 6. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2019 and 2018, the Manager is entitled to receive 12% of the net property income for the six months ended 30 June 2019 and 2018 as remuneration.

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Manager's fee:</b>		
In the form of units	75,757	70,605
In the form of cash	75,757	70,606
	<b>151,514</b>	<b>141,211</b>

Based on the election on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for the six months ended 30 June 2019 and 2018 arising from the properties currently owned by Champion REIT to be settled in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% in the form of cash.

## 7. FINANCE COSTS

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Finance costs represent:</b>		
Interest expense on bank borrowings	137,239	114,894
Interest expense on medium term notes	100,077	82,278
Other borrowing costs (note)	760	762
	<b>238,076</b>	<b>197,934</b>

Note: Include loss on interest rate swap designated as fair value hedge of HK\$265,000 (2018: HK\$190,000).

## 8. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Profit before tax and distribution to unitholders has been arrived at after charging (crediting):</b>		
Auditor's remuneration	1,090	1,025
Trustee's fee	7,324	6,847
Principal valuer's fee	88	101
Other professional fee and charges	2,892	8,097
Roadshow and public relations expenses	701	889
Bank charges	152	153
Exchange difference	373	(900)

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 9. INCOME TAXES

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Hong Kong Profits Tax:</b>		
Current tax		
– Current year	108,116	103,203
– Overprovision in prior years	–	(20)
	108,116	103,183
Deferred tax		
– Current year (note 21)	41,384	39,837
	<b>149,500</b>	<b>143,020</b>

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

## 10. TOTAL DISTRIBUTABLE INCOME

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

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period, before distribution to unitholders	3,186,527	4,722,327
Adjustments:		
– Manager's fees payable in units	75,757	70,605
– Increase in fair value of investment properties	(2,455,700)	(4,033,138)
– Non-cash finance costs	20,955	12,616
– Deferred tax	41,384	39,837
<b>Total distributable income</b>	<b>868,923</b>	<b>812,247</b>

## 11. DISTRIBUTION STATEMENT

	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Total distributable income (note 10)	868,923	812,247
Percentage of distributable income for distribution (note (i))	90%	90%
<b>Total distribution amount to be paid</b>	<b>782,031</b>	<b>731,022</b>
<b>Distribution per unit to unitholders (note (ii))</b>	<b>HK\$0.1335</b>	<b>HK\$0.1250</b>

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2018: 90%) of available distributable income as the distributions for the six months ended 30 June 2019 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1335 for the six months ended 30 June 2019 is calculated based on the interim distribution to be paid of HK\$782,031,000 for the period and 5,858,503,599 units in issue as at 30 June 2019. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 20 September 2019, which is the record date set for such period. The interim distribution will be paid to unitholders on 4 October 2019.

The interim distribution per unit of HK\$0.1250 for the six months ended 30 June 2018 was calculated based on the interim distribution paid of HK\$731,022,000 for the period and 5,847,092,804 units as of 21 September 2018, which was the record date for the period. The interim distribution was paid to unitholders on 5 October 2018.

## 12. BASIC EARNINGS PER UNIT

The basic earnings per unit during the six months ended 30 June 2019 is calculated by dividing the profit for the period, before distribution to unitholders of HK\$3,186,527,000 (2018: HK\$4,722,327,000) with the weighted average number of units of 5,860,193,423 (2018: 5,837,842,486) in issue during the period, taking into account the units issuable as manager's fee for its service for each of the six months ended 30 June 2019 and 2018.

There were no diluted potential units during the six months ended 30 June 2019 and 2018, therefore the diluted earnings per unit has not been presented.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 13. INVESTMENT PROPERTIES

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
<b>FAIR VALUE</b>		
At the beginning of the period/year	83,135,000	76,704,000
Additions during the period/year	25,300	19,399
Increase in fair value during the period/year	2,455,700	6,411,601
<b>At the end of the period/year</b>	<b>85,616,000</b>	<b>83,135,000</b>

The fair value of the Group's investment properties at 30 June 2019 and 31 December 2018 has been arrived at on the basis of valuation carried out by Colliers International (Hong Kong) Ltd, an independent qualified professional valuer not connected to the Group. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The capitalisation rates for the retail and office accommodation range from 3.75% to 4.25% (31 December 2018: 3.75% to 4.25%) and 3.6% to 4.0% (31 December 2018: 3.6% to 4.0%), respectively and negatively correlated to the fair value of the investment properties.

The fair value of the Group's investment properties as at 30 June 2019 and 31 December 2018 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety. Level 3 inputs are unobservable inputs for the asset or liability.

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

As at 30 June 2019, certain investment properties with total fair value of HK\$26,236,860,000 (31 December 2018: HK\$49,890,000,000) have been pledged as security for certain credit facilities as detailed in note 18.



#### 14. NOTES RECEIVABLES

As at 30 June 2019, the Group held unsecured bonds with aggregate carrying amounts of HK\$216,997,000 (31 December 2018: HK\$218,705,000), which are denominated in United States dollar with nominal values ranging from US\$1,200,000 to US\$7,640,000 (31 December 2018: US\$1,200,000 to US\$7,640,000). The unsecured bonds bear interest at fixed interest rates ranging from 3.75% to 5.875% (31 December 2018: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (31 December 2018: February 2021 to May 2024).

#### 15. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Trade receivables	12,213	27,736
Deferred rent receivables	157,479	169,575
Deposits, prepayments and other receivables	80,524	99,538
	<b>250,216</b>	<b>296,849</b>

Trade receivables represent rental and building management fee receivables from tenants are payable on presentation of invoices. The collection is closely monitored to minimise any credit risk associated with these receivables.

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

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
0 – 3 months	12,213	27,736

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$12,213,000 (31 December 2018: HK\$27,736,000) which are past due within three months at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 16. TIME DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Cash at bank	732,892	445,774
Time deposits with original maturity of three months or less	874,096	953,756
	<b>1,606,988</b>	<b>1,399,530</b>

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Time deposit with original maturity over three months but not exceeding one year	<b>200,000</b>	<b>200,000</b>

Bank balances carry interest at market rate of 0.125% to 0.425% per annum (31 December 2018: 0.125% to 0.425% per annum). Time deposits with original maturity of three months or less carry interest at market rates ranging from 2.33% to 2.80% per annum (31 December 2018: 2.5% to 3.285% per annum). Time deposit with original maturity over three months but not exceeding one year as at 31 December 2018 was renewed in June 2019 and carries interest at market rate of 2.505% per annum (31 December 2018: 2.91% per annum).

**17. TRADE AND OTHER PAYABLES**

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Trade payables	88,268	79,127
Rental received in advance	32,516	19,852
Other payables	278,576	274,714
Accrued stamp duty	963,475	963,475
	<b>1,362,835</b>	<b>1,337,168</b>

The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2018: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in 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:

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
0 – 3 months	88,268	79,127

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 18. BANK BORROWINGS

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Secured term loans	3,685,000	9,500,000
Unsecured term loan	4,963,635	–
Unsecured revolving loan	850,000	–
	9,498,635	9,500,000
Loan front-end fees	(66,442)	(32,188)
	<b>9,432,193</b>	<b>9,467,812</b>

The maturity of the bank borrowings is as follows:

Within one year	842,787	3,696,715
More than one year but not more than two years	3,670,322	–
More than two years but not exceeding five years	4,919,084	5,771,097
	9,432,193	9,467,812
Less: Amount due within one year shown under current liabilities	(842,787)	(3,696,715)
	8,589,406	5,771,097

On 28 June 2019, the Group arranged two unsecured banking facilities in a total amount of HK\$5,813,635,000 to fully refinance an outstanding amount of HK\$3,700,000,000 of its secured term loan which fall due in June 2019 and early repaid an amount of HK\$2,115,000,000 of its secured term loan which fall due in June 2021. During 2018, the Group early repaid a total amount of HK\$725,000,000 of its secured term loan which fall due in June 2019.

As at 30 June 2019, secured term loan amounted to HK\$3,685,000,000, bears interest at a floating rate of HIBOR plus 0.95% per annum. The secured term loan will mature in June 2021.

As security for the term loan granted to the Group, investment properties with an aggregate fair value of HK\$26,236,860,000 as at 30 June 2019 (31 December 2018: HK\$49,890,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged to the banks.

As at 30 June 2019, unsecured term loan and revolving loan facilities amounted to HK\$5,813,635,000, bear interest at a floating rate of HIBOR plus a margins ranging from 0.938% to 0.95% per annum. The unsecured term loan and revolving loan facilities will mature in June 2024.

## 19. MEDIUM TERM NOTES

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Medium term notes	5,562,136	5,569,091
Origination fees	(29,674)	(32,799)
	<b>5,532,462</b>	<b>5,536,292</b>

The maturity of the medium term notes is as follows:

Within one year	199,840	–
More than one year but not more than two years	–	199,755
More than two years but not exceeding five years	3,646,895	3,651,822
Over five years	1,685,727	1,684,715
	5,532,462	5,536,292
Less: Amount due within one year shown under current liabilities	(199,840)	–
	5,332,622	5,536,292

The Group established a US\$1 billion guaranteed medium term notes programme (the "MTN Programme"), under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating interest rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT.

As at 30 June 2019, the outstanding medium term notes comprised of the followings:

Notional amount	Maturity	Interest rate (p.a.)	Interest period
HK\$200,000,000	May 2020	2.85% <sup>(i)</sup>	Annually
HK\$643,000,000	March 2022	3-month HIBOR plus 1.275%	Quarterly
US\$386,400,000	January 2023	3.75% <sup>(ii)</sup>	Semi-annually
HK\$200,000,000	October 2024	2.75%	Annually
HK\$775,000,000	June 2025	2.85%	Annually
HK\$450,000,000	July 2025	4.00%	Semi-annually
HK\$275,000,000	April 2028	3.73%	Quarterly

(i) The fixed rate of 2.85% per annum is swapped to floating rate at 1-month HIBOR plus 0.67% per annum by the use of an interest rate swap as mentioned in note 20.

(ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps as mentioned in note 20.

The carrying amounts of the medium term notes approximate their fair values.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
<b>Non-current assets</b>		
Cash flow hedges – interest rate swaps (note i)	18,933	35,268
Fair value hedge – interest rate swap (note i)	–	4,131
	<b>18,933</b>	<b>39,399</b>
<b>Current assets</b>		
Fair value hedge – interest rate swap (note i)	<b>956</b>	–
<b>Non-current liabilities</b>		
Cash flow hedges – cross currency swaps (note ii)	<b>5,616</b>	<b>17,860</b>

### (i) Interest rate swaps

The Group entered into interest rate swap contracts of a total notional amount of HK\$3,450,000,000 (31 December 2018: HK\$3,450,000,000), out of which a total notional amount of HK\$1,900,000,000 (31 December 2018: HK\$1,900,000,000) were entered with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), a connected person as defined in the REIT Code, to minimise its exposure to fluctuations in interest rates of its secured term loan which bears interest at a floating rate of HIBOR plus 0.95% per annum. The interest rate swaps and the corresponding secured bank loan have similar terms and the Manager considered that the interest rate swaps were highly effective hedging instruments and qualified as cash flow hedges.

As at 30 June 2019 and 31 December 2018, major terms of the interest rate swaps qualifying as cash flow hedges are set out below:

Notional amount	Maturity	Floating interest rates (p.a.)	Fixed interest rates (p.a.)	Interest period
HK\$1,550,000,000	June 2021	HIBOR	1.42% to 1.86%	Monthly
HK\$1,900,000,000	June 2021	HIBOR + 0.95%	2.20% to 2.635%	Monthly

During the six months ended 30 June 2019, the loss in change in fair values of the cross currency swaps and interest rate swaps under cash flow hedge amounting to HK\$2,494,000 (six months ended 30 June 2018: gain in changes of HK\$51,173,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$4,483,000 (six months ended 30 June 2018: HK\$4,325,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon and interest payments.

## 20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (i) Interest rate swaps (continued)

The Group also entered into an interest rate swap contract of a notional amount of HK\$200,000,000 to convert the fixed rate under the medium term notes as mentioned in note 19(i) to floating rate of 1-month HIBOR plus 0.67% per annum with HSBC. The interest rate swap qualifying as fair value hedge has a maturity date in May 2020, the same maturity date as the corresponding medium term notes. The loss in change in fair values of the interest rate swap under fair value hedge amounting to HK\$265,000 (six months ended 30 June 2018: HK\$190,000) has been recognised directly in the condensed consolidated income statement.

### (ii) Cross currency swaps

The Group entered into cross currency swap contracts of a total notional amount of US\$386,400,000 with HSBC to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of the USD MTN, which is denominated in United States dollars, in respect of the principal and fixed rate interest payments. The cross currency swaps and the corresponding medium term notes have similar terms and the Manager considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

As at 30 June 2019 and 31 December 2018, major terms of the cross currency swaps qualifying as cash flow hedges are set out below:

Notional amount	Maturity	Exchange rate	Interest rate (p.a.)	Interest period
US\$200,000,000	January 2023	HK\$7.7598: US\$1	3.75%	Semi-annually
US\$100,000,000	January 2023	HK\$7.76: US\$1	3.75%	Semi-annually
US\$50,000,000	January 2023	HK\$7.7613: US\$1	3.75%	Semi-annually
US\$36,400,000	January 2023	HK\$7.7541: US\$1	3.75%	Quarterly

The fair values of the above derivatives are based on the valuations provided by the counterparty financial institutions and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 21. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2018 (audited)	538,741	(130)	538,611
Charge to consolidated income statement during the year	41,143	130	41,273
As at 31 December 2018 (audited)	579,884	–	579,884
Charge (credit) to condensed consolidated income statement during the period	41,492	(108)	41,384
<b>As at 30 June 2019 (unaudited)</b>	<b>621,376</b>	<b>(108)</b>	<b>621,268</b>

## 22. NUMBER OF UNITS IN ISSUE

	Number of units	Amount
		HK\$'000
As at 1 January 2018 (audited)	5,823,028,120	24,278,216
Units issued for settlement of Manager's fee	24,064,684	136,723
As at 31 December 2018 (audited)	5,847,092,804	24,414,939
Units issued for settlement of Manager's fee	11,410,795	73,714
<b>As at 30 June 2019 (unaudited)</b>	<b>5,858,503,599</b>	<b>24,488,653</b>

On 8 March 2019, 11,410,795 units at HK\$6.46 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2018 to 31 December 2018.

## 23. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2019 of HK\$69,241,127,000 (31 December 2018: HK\$66,760,928,000) by the number of units in issue of 5,858,503,599 units as at 30 June 2019 (31 December 2018: 5,847,092,804 units).



## 24. NET CURRENT LIABILITIES

At 30 June 2019, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$2,061,891,000 (31 December 2018: HK\$4,727,043,000).

## 25. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2019, the Group's total assets less current liabilities amounted to HK\$83,790,039,000 (31 December 2018: HK\$78,666,061,000).

## 26. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2019, 11,410,795 units (six months ended 30 June 2018: 11,870,272 units) were issued as payment for the Manager's fee for the period from 1 July 2018 to 31 December 2018, amounting to HK\$73,714,000 (six months ended 30 June 2018: HK\$66,118,000).

## 27. CAPITAL COMMITMENT

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the condensed consolidated financial statements	<b>8,386</b>	19,551

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 28. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with connected and related parties:

		2019	2018
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
<b>Rental income</b>			
The Great Eagle Properties Management Company, Limited	(a)	<b>4,023</b>	3,608
Eagle Asset Management (CP) Limited	(a)	<b>328</b>	411
Eagle Property Management (CP) Limited	(a)	<b>4,813</b>	2,849
Best Come Limited	(a)	<b>11,854</b>	7,421
Ease Treasure Investment Limited	(a)	<b>5,533</b>	–
<b>Interest income</b>			
HSBC Group <sup>1,3</sup>	(b)	<b>5,119</b>	1,039
<b>Building management fee income</b>			
The Great Eagle Properties Management Company, Limited	(a)	<b>464</b>	442
Eagle Asset Management (CP) Limited	(a)	<b>41</b>	39
Eagle Property Management (CP) Limited	(a)	<b>513</b>	353
Best Come Limited	(a)	<b>1,405</b>	906
Ease Treasure Investment Limited	(a)	<b>658</b>	–
<b>Building management expenses and car park operating expenses</b>			
The Great Eagle Properties Management Company, Limited	(a)	<b>135,822</b>	133,175
Longworth Management Limited	(a)	<b>26,643</b>	25,371
<b>Property and lease management service fee</b>			
Eagle Property Management (CP) Limited	(a)	<b>41,806</b>	38,961
<b>Rental commission</b>			
Eagle Property Management (CP) Limited	(a)	<b>27,309</b>	10,218
Knight Frank Petty Limited <sup>2</sup>	(c)	–	322
<b>Repairs and maintenance fee</b>			
The Great Eagle Engineering Company Limited	(a)	<b>681</b>	164
Keysen Engineering Company, Limited	(a)	<b>466</b>	506
The Great Eagle Properties Management Company, Limited	(a)	<b>3</b>	3

**28. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)**

		2019	2018
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
<b>Repairs and maintenance contracted to</b>			
The Great Eagle Engineering Company Limited	(a)	<b>581</b>	173
Keysen Engineering Company, Limited	(a)	<b>451</b>	654
The Great Eagle Properties Management Company, Limited	(a)	<b>3</b>	3
<b>Property miscellaneous expenses</b>			
GE (LHIL) Lessee Limited	(a)	<b>8</b>	10
Clever Gain Investment Limited	(a)	<b>164</b>	147
<b>Trustee's fee and other expenses</b>			
HSBC Institutional Trust Services (Asia) Limited <sup>3</sup>	(b)	<b>7,324</b>	6,847
Best Come Limited	(a)	–	62
HSBC Group <sup>1,3</sup>	(b)	<b>79</b>	74
Clever Gain Investment Limited	(a)	<b>16</b>	–
<b>Manager's fee</b>			
Eagle Asset Management (CP) Limited	(a) & (d)	<b>151,514</b>	141,211
<b>Finance costs</b>			
Hang Seng Bank Limited <sup>3</sup>	(b)	<b>138,266</b>	106,569
The Hongkong and Shanghai Banking Corporation Limited <sup>3</sup>	(b)	<b>3,166</b>	3,731
<b>Valuation fee</b>			
Knight Frank Petty Limited <sup>3</sup>	(c)	–	17
Colliers International (Hong Kong) Limited <sup>3</sup>	(c)	<b>88</b>	84

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 28. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

		At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
	Notes		
<b>Amount due from</b>			
The Great Eagle Properties Management Company, Limited	(a) & (e)	<b>40,970</b>	55,105
Longworth Management Limited	(a) & (e)	<b>15,311</b>	15,311
Toptech Co. Limited	(a) & (e)	<b>948</b>	948
<b>Amount due to</b>			
Eagle Property Management (CP) Limited	(a) & (e)	<b>31,125</b>	20,678
Eagle Asset Management (CP) Limited	(a) & (e)	<b>151,514</b>	147,772
The Great Eagle Engineering Company Limited	(a) & (e)	<b>980</b>	376
The Great Eagle Properties Management Company, Limited	(a) & (e)	<b>20,756</b>	19,263
Keysen Engineering Company, Limited	(a) & (e)	<b>1,026</b>	1,632
<b>Deposits placed with the Group for the lease of the Group's properties</b>			
Eagle Property Management (CP) Limited	(a) & (f)	<b>1,941</b>	559
The Great Eagle Properties Management Company, Limited	(a)	<b>2,103</b>	2,103
Best Come Limited	(a)	<b>8,326</b>	7,669
Eagle Asset Management (CP) Limited	(a)	<b>117</b>	117
Ease Treasure Investment Limited	(a)	<b>1,661</b>	1,661

## 28. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) These companies are subsidiaries directly or indirectly held by Great Eagle Holdings Limited, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates<sup>2</sup> of the Trustee.
- (c) This company is the principal valuer of Champion REIT or its associates<sup>2</sup>.
- (d) The Manager's fee is calculated at 12% of the net property income provided that Champion REIT achieves net property income of HK\$200 million for each of the six months period ended 30 June 2019 and 30 June 2018.
- (e) The amounts due from and due to connected and related parties included in other receivables and other payables, respectively, are unsecured, interest-free and have no fixed repayment terms.
- (f) A bank guarantee of HK\$1,247,000 (31 December 2018: HK\$1,247,000) was received in lieu of deposit.

<sup>1</sup> HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.

<sup>2</sup> As defined in the REIT Code.

<sup>3</sup> Connected party transactions as defined in the REIT Code.

## 29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### **Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets/ (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)		
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	<b>(5,616)</b>	(17,860)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	<b>19,889</b>	39,399	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Levels 1 and 2 during the period.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

# Investment Properties Portfolio

As at 30 June 2019

Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Three Garden Road	3 Garden Road, Central, Hong Kong	1992	1,638,000	1,268,000	96.0%	51,017.0
Langham Place Office Tower	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	703,000	703,000	98.8%	10,854.0
Langham Place Mall	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	23,745.0

# Performance Table

	2019 (unaudited)	2018 (unaudited)	2017 (unaudited)	2016 (unaudited)	2015 (unaudited)
<b>As at 30 June:</b>					
Net asset value (HK\$'000)	<b>69,241,127</b>	64,455,513	54,420,433	49,848,955	47,295,431
Net asset value per unit (HK\$)	<b>11.82</b>	11.05	9.36	8.62	8.21
The highest traded price during the period (HK\$)	<b>6.89</b>	5.86	5.29	4.38	4.59
The highest premium of the traded price to net asset value <sup>1</sup>	<b>N/A</b>	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	<b>5.34</b>	5.19	4.18	3.35	3.57
The highest discount of the traded price to net asset value	<b>54.8%</b>	53.0%	55.3%	61.1%	56.5%
<b>For the six months ended 30 June:</b>					
Distribution yield per unit <sup>2</sup>	<b>2.1%</b>	2.4%	2.4%	2.5%	2.2%
Annualized distribution yield per unit	<b>4.3%</b>	5.1%	5.0%	5.3%	4.7%
Net profit yield per unit <sup>3</sup>	<b>8.4%</b>	15.5%	15.9%	7.4%	6.4%
Annualized net profit yield per unit	<b>16.7%</b>	31.1%	31.9%	14.9%	12.8%

## Notes:

1. The highest traded price is lower than the net asset value per unit. Accordingly, no premium of the traded price to net asset value is presented.
2. Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1335 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2019 over the traded price of HK\$6.51 as at 28 June 2019.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the six months ended 30 June 2019 over the traded price of HK\$6.51 as at 28 June 2019.





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