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ChampionREIT

冠君產業信託

Champion Real Estate Investment Trust

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

(Stock Code: 2778)

Managed by

Eagle Asset Management
Eagle Asset Management (CP) Limited

2021 FINAL RESULTS ANNOUNCEMENT

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties. The Trust's focus is on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to nearly 3 million sq. ft. of prime office and retail floor area. These include two Hong Kong landmark properties, Three Garden Road and Langham Place, as well as joint venture stake in 66 Shoe Lane in Central London.

FINAL RESULTS

The board of directors (“**Board**”) of Eagle Asset Management (CP) Limited (“**REIT Manager**”) as manager of Champion Real Estate Investment Trust (“**Champion REIT**” or “**Trust**”) is pleased to announce financial results of the Trust for the year ended 31 December 2021 (“**Year**” or “**Period**”).

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021

	2021	2020	Change
For the entire year	HK\$ million	HK\$ million	
Total Rental Income ¹	2,495	2,633	- 5.2%
Net Property Operating Expenses ¹	298	286	+ 4.1%
Net Property Income	2,197	2,347	- 6.4%
Distributable Income	1,503	1,554	- 3.3%
Distribution Amount	1,353	1,476	- 8.4%
Distribution per Unit (HK\$)	0.2279	0.2496	- 8.7%

	2021	2020	Change
As at 31 December	HK\$ million	HK\$ million	
Gross Value of Portfolio	65,296	67,318	- 3.0%
Net Asset Value per Unit (HK\$)	8.25	8.61	- 4.2%
Gearing Ratio	22.9%	23.0%	- 0.1pp
Net Expense Ratio (entire year)	11.9%	10.9%	+ 1.1pp
Payout Ratio (entire year)	90.0%	95.0%	- 5.0pp

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The persistent COVID-19 pandemic continued to pose challenges to the operating environment for our business in 2021. The overall market conditions for office and retail leasing remained difficult despite improved local economy and consumer sentiment following the government consumption vouchers and relaxation of social distancing measures. The ongoing Sino-U.S. tensions together with China's regulatory changes in certain industries exacerbated the market uncertainties in 2021. Amid the gloomy market conditions, distributable income of the Trust dropped 3.3% to HK\$1,503 million (2020: HK\$1,554 million) and distribution per unit ("**DPU**") declined 8.7% to HK\$0.2279 (2020: HK\$0.2496), based on a 90% payout ratio (2020: 95%) to increase capital reserve for planned renovation of the Trust's properties and to prepare for the challenging market ahead.

Both the office and retail properties recorded negative rental reversion. Three Garden Road had suffered significant drop in rental level for new lettings and lease renewals. Langham Place Mall saw bigger impact with the departure of an anchor tenant. While demand from lifestyle tenants rebounded for Langham Place Office, it was not sufficient to turn around the downward trend for the property. Total rental income of the Trust declined 5.2% to HK\$2,495 million (2020: HK\$2,633 million). Net property operating expenses went up 4.1% to HK\$298 million (2020: HK\$286 million) mainly due to higher net building management expenses arising from higher average vacancy and expenses incurred by the newly opened Langham Beauty at Langham Place Mall. Net property income dropped 6.4% to HK\$2,197 million (2020: HK\$2,347 million). In 2021, the Trust recorded a share of net property income of HK\$22 million from 66 Shoe Lane in London which is considered as Non-qualified Minority-owned Property under the Code on Real Estate Investment Trusts ("**REIT Code**").

In 2021, the Trust achieved the milestones in sustainability financing through securing its first HK\$3.0 billion sustainability-linked credit facilities and a sustainability-linked swap. Following the refinancing of secured bank loans due in 2021, all the outstanding debt facilities were unsecured in nature. The refinancing also provided financial flexibility in the volatile business environment and a war chest for opportunities. The fixed rate debt portion lowered to 64.6% (31 December 2020: 81.0%) after the expiry of certain interest rate swaps. Cash finance cost decreased to HK\$401 million (2020: HK\$445 million) mainly due to lower average HIBOR and the decrease in fixed rate debt portion.

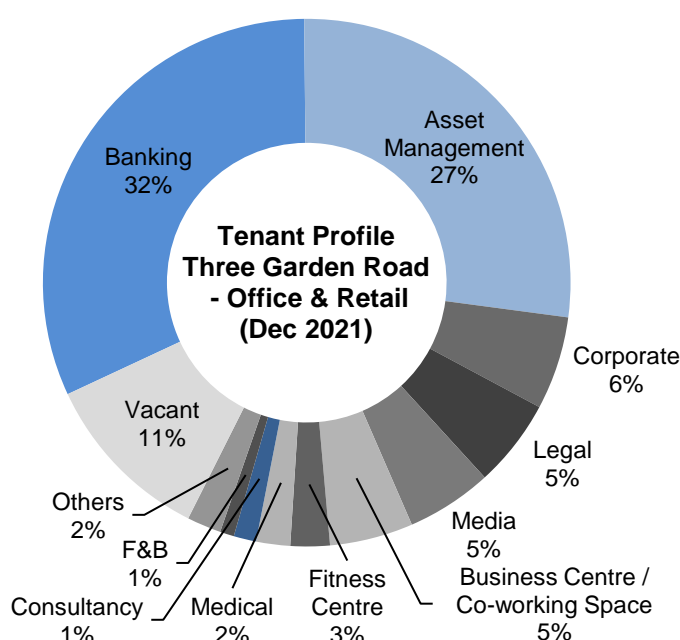
The appraised value of the Trust's properties declined 3.0% to HK\$65.3 billion as at 31 December 2021 from HK\$67.3 billion as at 31 December 2020. The decrease was mainly attributable to lower rental rate assumptions. Net asset value per unit dropped to HK\$8.25 as at 31 December 2021 (31 December 2020: HK\$8.61). Gearing ratio decreased slightly to 22.9% as at 31 December 2021 from 23.0% as at 31 December 2020.

OPERATIONAL REVIEW

Three Garden Road

	2021	2020	Change
	HK\$'000	HK\$'000	
Rental Income	1,459,765	1,518,047	- 3.8%
Net Property Operating Expenses	146,881	148,833	- 1.3%
Net Property Income	1,312,884	1,369,214	- 4.1%

With COVID-19 variants spreading globally, the Central office market continued to be shrouded in uncertainties. Cross-border controls amid the pandemic diminished office demand. Occupiers remained cost-cautious while deliberating their post-pandemic real estate strategies and requirements. As the pandemic subsided locally, more companies have resumed working in the office in the second half of 2021. But the presence of staff members in the office has not returned to pre-pandemic levels due to travel restrictions. Demand from new and existing tenants gradually materialised in the second half, boosting the occupancy of Three Garden Road to 89.0% as at 31 December 2021 (31 December 2020: 86.8%).



Given the availability in the Grade A Central office market and cautious approach of occupiers, landlords were generally flexible in their pricing strategies. As a result, market rent level in the district continued to come under pressure. Rental income of the property shrank by 3.8% to HK\$1,460 million (2020: HK\$1,518 million), mainly attributable to the impact of negative rental reversion. Average passing rent decreased to HK\$108.3 per sq. ft. (based on lettable area) as at 31 December 2021 (31 December 2020: HK\$110.4 per sq. ft.).

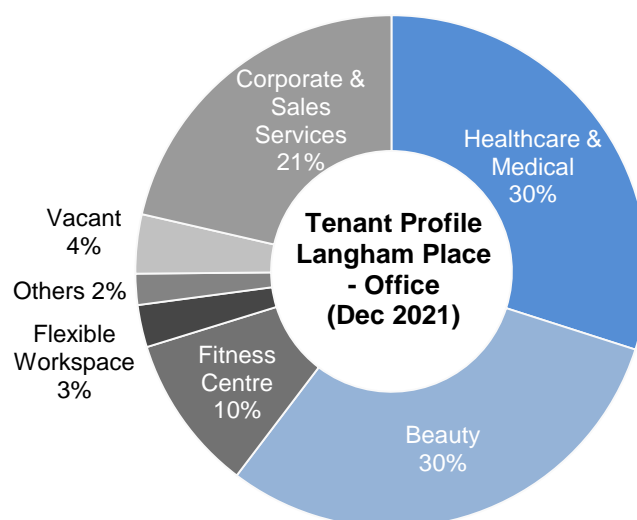
Net property income dropped 4.1% to HK\$1,313 million (2020: HK\$1,369 million) mainly due to lower rental income. Net property operating expenses maintained stable at HK\$147 million (2020: HK\$149 million). The increase in net building management expenses and repairs and maintenance expenses were offset by the lower government rent and rates and lower lease management service fee.

Langham Place Office Tower

	2021	2020	Change
	HK\$'000	HK\$'000	
Rental Income	364,781	377,604	- 3.4%
Net Property Operating Expenses	37,551	31,513	+ 19.2%
Net Property Income	327,230	346,091	- 5.4%

As the pandemic became under control locally in 2021, demand and market sentiments of lifestyle tenants gradually improved. Both existing and new tenants indicated their interest in expanding and establishing their operations in Langham Place Office. The proportion of lifestyle tenants accounted for 70% as at 31 December 2021, cementing the positioning of the property as a lifestyle hub further.

While leasing momentum for lifestyle tenants gathered more steam, traditional office tenants remained cost-conscious. We observed downsizing and relocation of certain traditional office tenants. Yet the rebound in leasing momentum for beauty and healthcare tenants was encouraging, driving up the occupancy of the property to 96.3% as at 31 December 2021 (31 December 2020: 88.7%).

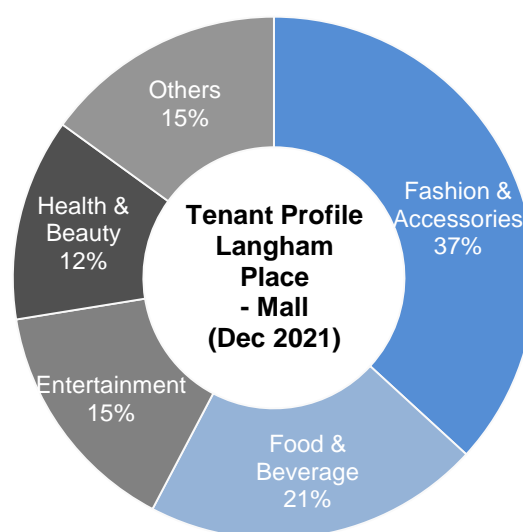


Despite the improvement in occupancy, the impact of negative rental reversion drove down rental income of the property to HK\$365 million (2020: HK\$378 million). Passing rents of the property declined to HK\$47.1 per sq. ft. (based on gross floor area) as at 31 December 2021 (31 December 2020: HK\$47.7 per sq. ft.). Net property income of the property declined 5.4% to HK\$327 million (2020: HK\$346 million). Net property operating expenses increased 19.2% to HK\$38 million (2020: HK\$32 million) mainly due to higher rental commission and an allowance for credit loss.

Langham Place Mall

	2021	2020	Change
	HK\$'000	HK\$'000	
Rental Income	670,477	737,606	- 9.1%
Net Property Operating Expenses	113,576	105,808	+ 7.3%
Net Property Income	556,901	631,798	- 11.9%

Although Hong Kong's retail market continued to experience detrimental impact from the pandemic throughout the year, the situation stabilised considerably. Consumer sentiment revived following the relaxation of social distancing measures and the launch of the consumption voucher scheme by the government in the second half of the year. While overall Hong Kong retail sales increased 8.1%, sales from tenants of Langham Place Mall recuperated at a rate lower than the market average. This is largely due to the departure of an anchor beauty tenant and a lack of tourists under cross-border controls and quarantine requirements across the globe. Footfall of the mall jumped 12.2% compared to 2020. But mall traffic was shy of the pre-pandemic levels.



Amid the challenging environment for retail leasing, the Trust stayed committed to turning risks into opportunities. We spearheaded the Langham Beauty concept at our premises in late 2021 to house more than 60 internationally renowned beauty brands. The premium cosmetics and beauty brands not only facilitated the tenant mix management of the beauty segment but also strengthened the leasing strategy with enhanced flexibility.

The recovery in tenants' sales contributed to the growth in turnover rent portion to HK\$38 million (2020: HK\$19 million). However, this was not sufficient to reverse the overall downward trend of the mall's rental performance. The base rent portion decreased by 14.3% to HK\$575 million (2020: HK\$671 million), mainly due to effect of negative rental reversion and the dormant period after the departure of the anchor tenant for a few months. The average passing rents dropped to HK\$165.9 per sq. ft. (based on lettable area) as at 31 December 2021 (31 December 2020: HK\$179.3 per sq. ft.). Total rental income of the property went down 9.1% to HK\$670 million (2020: HK\$738 million). Some tenants were willing to start paying base rent as the local retail environment stabilised. The proportion of tenants paying turnover rent only decreased to 12% as at 31 December 2021. The mall remained fully occupied as at 31 December 2021.

While we continued to support our tenants through offering discounted cash vouchers on the eStore platform, the reliance on us to invigorate business waned as their sales recovered, driving down net promotion expenses to HK\$18 million. Net property operating expenses increased by 7.3% to HK\$114 million (2020: HK\$106 million) mainly due to increase in net building management expenses during the short-term vacancy and operating expenses incurred by the Langham Beauty initiative. Net property income decreased by 11.9% to HK\$557 million (2020: HK\$632 million).

OUTLOOK

Amid the ongoing COVID-19 pandemic, the outlook of Hong Kong office and retail property market remains uncertain and difficult. Social distancing measures would continue to affect the business of our tenants. While inflation caused by shortages of some goods due to interruptions in global supply chains may dampen consumer sentiment, potential interest rate hike could further impact the Trust's profitability. Relaxation of cross-border controls and quarantine requirements locally would be crucial for economic recovery, but the new COVID-19 variant Omicron infection wave has further delayed the government's action. However, the renewed fear has boosted the city's low vaccination rate, and hopefully it would achieve 90% before summer.

The spread of COVID-19 variants may cause corporates to switch back to working from home intermittently. It may further drive office occupiers to hold back their pent-up demand and rethink their long-term real estate strategies. As the hybrid work-place is gaining popularity among multinationals, we will adopt an accommodative strategy to cope with the trend. With new office supply coming in Central, negative rental reversion is expected to remain in 2022 for Three Garden Road and the overall downward trend for Central rental will likely persist. That said, as the first existing building to obtain WELL Platinum Certificate in Hong Kong, the property is well positioned for the growing demand from occupiers seeking environmentally and sustainability-friendly workplace.

The fresh round of social distancing measures announced in early January in 2022, including mandatory closure of fitness centres and beauty parlours might temper the improving demand from lifestyle tenants for Langham Place Office. The current rebound in market rental at Langham Place Office may also be hindered if the measures are kept in place for a longer period. However, the improvement in occupancy will provide certain buffer for the rental income of the property. We will continue to reinforce the positioning of the property as a lifestyle and healthcare hub.

As border re-opening is still up in the air, retail tenants' business of Langham Place Mall will continue to rely on domestic consumption. We will continue to adopt a flexible leasing strategy to retain tenants and maintain a high occupancy rate. The overall rental level of the mall is expected to come under strain. Despite the unfavourable conditions, we strive to inject impetus to growth through asset enhancement and trade mix rebranding initiatives, and to give the mall fresh new look so as to attract shoppers.

Against the backdrop of stronger economic outlook and higher inflation, the US is set to increase interest rate in 2022. We will take a prudent approach in balance sheet management in a rising rate environment. We will also proactively identify yield enhancing opportunities for treasury management. We will continue to be on the lookout for attractive investment opportunities arising in the depressed market. Equipped with a sufficient reserve, The Trust stands ready to pursue acquisition opportunities globally with a goal to generate long-term returns.

The pandemic will continue to affect the prospect of the economic outlook and operating environment of our business. Downside risks remain for the rental income and DPU of the Trust in 2022. In the new normal era, we maintain our commitment in our long-term sustainability journey and will continue to collaborate with tenants and stakeholders to weather the down cycle.

SUSTAINABILITY

The Trust proactively develops its sustainability strategy and plays the role as an influencer by joining hands with its stakeholders to create more impactful outcomes for the community and environment.

In the face of unprecedented challenges posed by the pandemic, we forged ahead to embrace change with resilience and agility to manage business continuity and put people at the heart of what we do. In order to have a more comprehensive view on the Trust's performance on sustainability, we conducted a new round of stakeholder engagement and materiality review to solicit opinions from our tenants, investors and employees. The Trust's 2030 sustainability targets remained effectively integrated into its business strategies and operations.

In view of the urgency in tackling extreme climate change, we are committed to exploring mitigation solutions and adaptation opportunities. In addition to the BEAM Plus Existing Building Platinum certification, Langham Place Mall was awarded the international EDGE green building certification, making it the first shopping mall in Hong Kong to receive the recognition. The Trust also secured its first sustainability-linked loan and sustainability-linked swap, befitting our sustainability objectives.

The safety, health and wellbeing of our stakeholders have always been the Trust's top priorities. We organised multiple activities under the ongoing "Champion our Wellness" initiative. We also endeavour to foster a diverse and inclusive community by advocating gender equality and providing assistance to the needy. In this vein, we initiated the four-month Women Empowerment Programme – Champion Mothers under which a group of mothers whose children have special educational needs can have a taste of running a business.

Looking forward, we will continue to identify and respond to the risks and opportunities relevant to our business as part of our journey of sustainable value creation. We will stand shoulder to shoulder with our stakeholders in cultivating impactful collaborations and building a more resilient future for our business and the community.

VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Cushman & Wakefield Limited on 28 January 2022, the valuation of the properties of Champion REIT, broken down by usage as at 31 December 2021 was:

	Three Garden Road	Langham Place	Sub-total
Dec 2021 Valuation	HK\$ million	HK\$ million	HK\$ million
Office	38,281	8,947	47,228
Retail	601	15,879	16,480
Car Park	592	350	942
Miscellaneous	394	252	646
Total	39,868	25,428	65,296

As at 31 December 2021, the appraised value of the Trust's property portfolio was HK\$65.3 billion, dropping 3.0% from HK\$67.3 billion as at 31 December 2020. The decrease was primarily driven by lower rental assumptions. The capitalisation rates used to value Three Garden Road, Langham Place Office and Langham Place Mall remained unchanged at 3.7%, 4.1% and 4.0% respectively compared with 2020.

FINANCIAL REVIEW

DISTRIBUTIONS

The total distribution amount of Champion REIT for the year was HK\$1,353 million, representing a decline of 8.4% compared to HK\$1,476 million in 2020. The total distribution amount is based on 90% (2020: 95%) of Champion REIT's distributable income.

The distribution per unit for the six months ended 31 December 2021 ("**Final Distribution per Unit**") was HK\$0.1082. This is subject to adjustment that may result from the issuance of any new units between 1 January 2022 and the record date. A further announcement informing unitholders of any adjustment to the Final Distribution per Unit will be made in due course.

With an Interim Distribution per Unit of HK\$0.1197 and a Final Distribution per Unit of HK\$0.1082, the Total Distribution per Unit for 2021 amounted to HK\$0.2279 (2020: HK\$0.2496). Based on the closing unit price of HK\$3.99 recorded on 31 December 2021, the Total Distribution per Unit represented a distribution yield of 5.7%.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Monday, 16 May 2022 to Thursday, 19 May 2022 ("**Record Date**"), both days inclusive, during which period no transfer of Units will be effected. The payment of the distribution for the six months ended 31 December 2021 will be made on Tuesday, 24 May 2022 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 31 December 2021 and be eligible to attend and vote at the 2022 Annual General Meeting to be held on Thursday, 19 May 2022, 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 4:30pm on Friday, 13 May 2022.

PROACTIVE LIABILITY MANAGEMENT

Outstanding Debt Facilities ⁽¹⁾

As at 31 December 2021
(HK\$ million)

	Fixed rate debts	Floating rate debts	Utilised facilities
Unsecured bank loans ⁽³⁾	2,900	4,798	7,698
Medium Term Notes ⁽⁴⁾	7,035	643	7,678
Total	9,935	5,441	15,376
%	64.6%	35.4%	100%

(1) All amounts are stated at face value

(2) All debt facilities were denominated in Hong Kong Dollars except (3) and (4) below

(3) (i) The Trust entered interest rate swaps contracts of notional amount of HK\$2,900 million to manage interest rate exposure; (ii) Equivalence of HK\$305 million were originally denominated in Pound Sterling

(4) (i) The Trust entered into cross currency swaps contracts of notional amount of US\$476.4 million at an average rate of HK\$7.7605 to US\$1.00 to mitigate exposure to fluctuations in exchange rate and interest rate of US dollars; (ii) Equivalence of HK\$5,335 million (after accounting for cross currency swaps) were US dollars notes

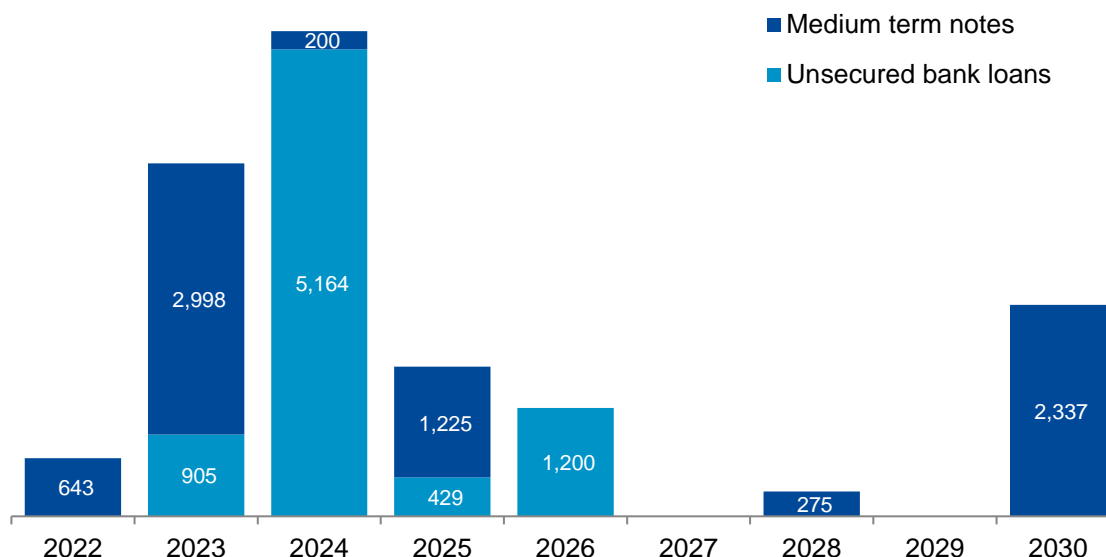
During the reporting period, the Trust signed its first five-year HK\$3 billion unsecured sustainability-linked term and revolving credit facilities (the "ESG-loan"). The proceeds drawn from the ESG-loan, together with the financial resources available to the Trust, were used to fully refinance the secured loan with an outstanding amount of HK\$3,450 million in June 2021. As at 31 December 2021, total debt outstanding of the Trust was HK\$15.4 billion (31 December 2020: HK\$16.5 billion) and wholly on an unsecured basis. The arrangement greatly enhanced the financial flexibility of the Trust.

As certain interest rate swaps expired in June 2021, the fixed-rate debt proportion of the Trust decreased from 81.0% as at 31 December 2020 to 64.6% as at 31 December 2021. The average effective interest rate for the year, after accounting for interest rate swaps and cross currency swaps, was 2.4% (2020: 2.7%). The average life of the Trust's outstanding debt was 3.3 years as at 31 December 2021 (2020: 3.5 years).

Outstanding debt maturity profile⁽¹⁾

As at 31 December 2021

(HK\$ million)



(1) Based on the final maturity dates of the respective facility agreements

The Trust's investment properties as at 31 December 2021 were appraised at a total value of HK\$65.3 billion, representing a 3.0% decrease from HK\$67.3 billion as at 31 December 2020. The Trust's total borrowings as a percentage of its gross asset value (defined as total gross assets less distribution payable pursuant to the Trust Deed) as at 31 December 2021 decreased slightly to 22.9% (2020: 23.0%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 27.9% (2020: 29.1%).

STRENGTHENED LIQUIDITY POSITION

As at 31 December 2021, the Trust had committed debt facilities of HK\$3,702 million which remained undrawn. Together with cash and deposits of HK\$1,629 million (out of which HK\$1,120 million denominated in US\$), the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

NET ASSETS VALUE PER UNIT

The Net Asset Value per Unit as at 31 December 2021 was HK\$8.25 (2020: HK\$8.61). It represented a 106.8% premium to the closing unit price of HK\$3.99 as at 31 December 2021.

COMMITMENTS

As at 31 December 2021, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the consolidated financial statements amounted to HK\$45 million.

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

NEW UNITS ISSUED

As at 31 December 2021, the total number of issued Units of Champion REIT was 5,937,079,598. As compared with the position of 31 December 2020, a total of 30,936,897 new Units were issued during the year as follows:-

- On 25 August 2021, 15,627,875 new Units were issued to the REIT Manager at the price of HK\$4.390 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$68,606,000 for the first half of 2021.
- On 5 March 2021, 15,309,022 new Units were issued to the REIT Manager at the price of HK\$4.518 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$69,166,000 for the second half of 2020.

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 REIT Code) during the year ended 31 December 2021. Nevertheless, on 9 April 2021, Champion REIT acquired 27% shareholding interest in a joint venture (the "**Joint Venture**") which held 100% of the entire share capital of HPREF Athene Investment S.à r.l., a company incorporated under the laws of Luxembourg and directly holds the leasehold interests in an office property situated at 66 Shoe Lane, London (the "**Property**"). The REIT Manager treated Champion REIT's 27% investment in the Property (through the Joint Venture) as a Non-qualified Minority-owned Property as permitted under the REIT Code. Details of the transaction have been announced by Champion REIT on 28 February 2021 and 9 April 2021 respectively.

RELEVANT INVESTMENTS AND INVESTMENTS IN PROPERTY DEVELOPMENT AND RELATED ACTIVITIES

As at 31 December 2021, the portfolio of Relevant Investments represented approximately 0.49% of the gross asset value of Champion REIT. The combined value of (i) all Relevant Investments; (ii) all Non-qualified Minority-owned Properties; (iii) other ancillary investments; and (iv) all of the Property Development Costs (as defined in 7.2C of the REIT Code) represented approximately 0.96% of the gross asset value of Champion REIT as at 31 December 2021, and therefore is within the Maximum Cap, being 25% of the gross asset value of Champion REIT.

The full investment portfolio of the Relevant Investments¹ of Champion REIT as at 31 January 2022⁴ is set out below:

As at 31 January 2022	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$ '000 ²)	Mark-to-market Value (HK\$ '000 ²)	Weighting of GAV ³	Credit Rating (S&P's/Moody's /Fitch's)
Bonds Investment								
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797	9,477	0.0139%	BBB- / Baa3 / -
NANFUN 4 ¾ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,602	55,618	0.0817%	BBB- / Baa3 / -
HKTGHD 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641	50,163	0.0737%	BBB / Baa2 / -
CAPG 6.35 02/08/24	Bond	Singapore Exchange	Cayman Islands	USD	38,747	7,113	0.0105%	- / - / C
MOLAND 11 ½ 11/13/22	Bond	Singapore Exchange	Cayman Islands	USD	3,809	1,209 ⁵	0.0018%	- / - / -
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	46,493	41,350	0.0608%	BB- / - / BB
Sub-total					205,089	164,930	0.2424%	
Equity Investment								
EC Healthcare (Stock Code: 2138.HK)	Equity	Hong Kong Exchange	Cayman Islands	HKD	51,810	109,427	0.1608%	N/A
Total					256,899	274,357	0.4032%	

- Notes: (1) As defined in 7.2B of the REIT Code, Relevant Investments are the financial instruments permissible from time-to-time to invest in, including (without limitation): (i) securities listed on the Stock Exchange or other internationally recognised stock exchanges; (ii) unlisted debt securities; (iii) government and other public securities; and (iv) local or overseas property funds.
- (2) All figures presented above have been rounded to the nearest thousand.
- (3) The weighting of gross asset value ("GAV") is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.
- (4) The full investment portfolio of the Relevant Investments is updated monthly within five business days of the end of each calendar month on the website of Champion REIT.
- (5) Based on the publicly available latest transaction price (as of 15 October 2021).

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 emphasises accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures. The REIT Manager has in place a comprehensive set of compliance procedures and guidelines ("**Compliance Manual**") which set out the key processes, systems and measures used to implement this corporate governance framework.

Throughout the year ended 31 December 2021, the REIT Manager and Champion REIT have complied with the REIT Code, the Trust Deed of Champion REIT, the relevant provisions and requirements of the Securities and Futures Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") applicable to Champion REIT.

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

Various governance and control policies and procedures were updated during the year. In view of upholding the high standard of corporate governance, Anti-fraud, Bribery and Corruption Policy; and Reporting and Monitoring Policy on Connected Transactions were established. Furthermore, upon periodic review, some housekeeping and other amendments were made to Anti-Money Laundering and Counter-Financing of Terrorism Procedures; Connected Party Transactions Procedure on Sample Checking; Whistleblowing Policy; and Procedures for FATCA Reporting.

To enhance governance and control in respect of the financial performance and strategic planning of the REIT Manager and Champion REIT, a Finance and Strategic Planning Committee was established.

In addition, to streamline the corporate structure of Champion REIT at its subsidiaries' level, after the year end, preliminary steps have been taken to amalgamate two wholly-owned special purpose vehicles of Champion REIT. The amalgamation (if materialised) will render no impact on Champion REIT's consolidated financial statements.

Key components of the governance framework and the corporate governance report for the year ended 31 December 2021 will be set out in the 2021 Annual Report.

BUY-BACK, SALE OR REDEMPTION OF UNITS

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 20 May 2021. During the year ended 31 December 2021, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had bought back, sold or redeemed any Units pursuant to this mandate.

PUBLIC FLOAT

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

REVIEW OF ANNUAL RESULTS

The audited final results for the year ended 31 December 2021 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting of Champion REIT will be held on Thursday, 19 May 2022 at 4:00pm. Notice of the meeting will be published and despatched to Unitholders in due course.

ISSUANCE OF ANNUAL REPORT

The 2021 Annual Report of Champion REIT will be despatched to Unitholders and published on the websites of the HKEXnews (www.hkexnews.hk) and Champion REIT (www.ChampionReit.com) before the end of March 2022.

SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Trust's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, distribution statement and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Trust's external auditor, Messrs Deloitte Touche Tohmatsu, to the amounts set out in the Trust's audited consolidated financial statements for the year. The work performed by Messrs Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs Deloitte Touche Tohmatsu on this announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Dr Lo Ka Shui (*Chairman*) and Ms Wong Mei Ling, Marina; two Executive Directors, Ms Hau Shun, Christina (*Chief Executive Officer*) and Mr Kwong Chi Kwong; and four Independent Non-executive Directors, namely Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan, Mr Ip Yuk Keung, Albert and Mr Shek Lai Him, Abraham.

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

Hong Kong, 21 February 2022

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Rental income	5	2,464,195	2,599,093
Building management fee income		274,190	287,063
Rental related income	6	<u>30,828</u>	<u>34,164</u>
Total revenue		2,769,213	2,920,320
Property operating expenses	7	<u>(572,198)</u>	<u>(573,217)</u>
Net property income		2,197,015	2,347,103
Other income	8	82,018	54,368
Manager's fee	9	(265,999)	(281,652)
Trust and other expenses		(23,892)	(26,021)
Decrease in fair value of investment properties		(2,079,354)	(13,847,195)
Allowance for credit losses on notes receivables and interest receivables		(76,149)	-
Finance costs	10	(431,336)	(472,803)
Share of results of a joint venture		<u>22,314</u>	<u>-</u>
Loss before tax and distribution to unitholders	11	(575,383)	(12,226,200)
Income taxes	12	<u>(255,981)</u>	<u>(270,890)</u>
Loss for the year, before distribution to unitholders		(831,364)	(12,497,090)
Distribution to unitholders		<u>(1,352,982)</u>	<u>(1,476,445)</u>
Loss for the year, after distribution to unitholders		<u>(2,184,346)</u>	<u>(13,973,535)</u>
Basic loss per unit	13	<u>HK\$(0.14)</u>	<u>HK\$(2.12)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Loss for the year, after distribution to unitholders	<u>(2,184,346)</u>	<u>(13,973,535)</u>
Other comprehensive income (expense):		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income	67,393	21,001
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(341)	-
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	47,586	(212,655)
Reclassification of fair value adjustments to profit or loss	36,956	43,724
	<u>151,594</u>	<u>(147,930)</u>
Total comprehensive expense for the year	<u><u>(2,032,752)</u></u>	<u><u>(14,121,465)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Non-current assets			
Investment properties		65,296,000	67,318,000
Notes receivables		164,483	242,524
Interests in a joint venture		312,753	-
Equity instruments at fair value through other comprehensive income		136,814	77,950
Derivative financial instruments		15,732	-
Total non-current assets		65,925,782	67,638,474
Current assets			
Trade and other receivables	14	285,869	316,785
Notes receivables		9,411	1,902,200
Tax recoverable		23,217	2,194
Short-term bank deposits		-	191,485
Bank balances and cash		1,628,725	1,642,094
Total current assets		1,947,222	4,054,758
Total assets		67,873,004	71,693,232
Current liabilities			
Trade and other payables	15	1,505,049	2,115,122
Deposits received		728,155	741,215
Derivative financial instruments		-	23,704
Tax liabilities		16,429	46,650
Distribution payable		642,161	752,780
Bank borrowings		1,383,286	3,441,549
Medium term notes		643,000	-
Total current liabilities		4,918,080	7,121,020
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments		32,584	99,583
Bank borrowings		6,255,820	5,347,376
Medium term notes		7,006,560	7,608,548
Deferred tax liabilities		697,341	659,107
Total non-current liabilities, excluding net assets attributable to unitholders		13,992,305	13,714,614
Total liabilities, excluding net assets attributable to unitholders		18,910,385	20,835,634
Net assets attributable to unitholders		48,962,619	50,857,598
Number of units in issue ('000)	16	5,937,080	5,906,143
Net asset value per unit	17	HK\$8.25	HK\$8.61

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Loss for the year, before distribution to unitholders	(831,364)	(12,497,090)
Adjustments:		
- Gain from derecognition of financial assets measured at amortised cost	-	(2,595)
- Allowance for credit losses on notes receivables and interest receivables	76,149	-
- Manager's fee paid and payable in units	132,999	140,826
- Decrease in fair value of investment properties	2,079,354	13,847,195
- Share of results of a joint venture	(22,314)	-
- Non-cash finance costs	30,256	28,209
- Deferred tax	38,234	37,608
Total distributable income to unitholders (note (i))	<u>1,503,314</u>	<u>1,554,153</u>
Interim distribution, paid to unitholders (note (ii))	710,821	723,665
Final distribution, to be paid to unitholders (note (iii))	642,161	752,780
Total distributions for the year	<u>1,352,982</u>	<u>1,476,445</u>
Payout ratio	<u>90.0%</u>	<u>95.0%</u>
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK\$0.1197	HK\$0.1225
Final distribution per unit, to be paid to unitholders (note (iii))	HK\$0.1082	HK\$0.1271
	<u>HK\$0.2279</u>	<u>HK\$0.2496</u>

Notes:

(i) Pursuant to the Trust Deed, the total distributable income is loss for the year, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. Champion REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial year.

(ii) The interim distribution per unit of HK\$0.1197 for the six months ended 30 June 2021 was calculated based on the interim distribution paid of HK\$710,821,000 for the period and 5,937,079,598 units in issue as of 17 September 2021, which was the record date for the period. The interim distribution was paid to unitholders on 5 October 2021.

The interim distribution per unit of HK\$0.1225 for the six months ended 30 June 2020 was calculated based on the interim distribution paid of HK\$723,665,000 for the period and 5,906,142,701 units in issue as at 25 September 2020, which was the record date for the period. The interim distribution was paid to unitholders on 9 October 2020.

(iii) The final distribution per unit of HK\$0.1082 for the year ended 31 December 2021 is calculated based on the final distribution to be paid to unitholders of HK\$642,161,000 for the period and 5,937,079,598 units in issue as at 31 December 2021. The final distribution per unit for the year ended 31 December 2021 will be subject to further adjustments upon the issuance of units between 1 January 2022 and 19 May 2022, which is the record date set for such period. The final distribution will be paid to unitholders on 24 May 2022.

The final distribution per unit of HK\$0.1271 for the year ended 31 December 2020 was calculated based on the final distribution paid of HK\$752,780,000 for the period and 5,921,451,723 units in issue as at 29 April 2021, which was the record date for the period. The final distribution was paid to unitholders on 7 May 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform - Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures (“HKFRS 7”).

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

Amendments to HKFRSs that are mandatorily effective for the current year - continued

As at 1 January 2021, the Group has several derivative financial instruments, bank borrowings and medium term notes, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

During the year, the Group’s LIBOR bank borrowing with carrying amount of HK\$305,298,000 has been transitioned to Sterling Over Night Index Average. Such transition has had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowing measured at amortised cost.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS - continued

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

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

As at 31 December 2021, the Group's current liabilities exceeded its current assets by HK\$2,970,858,000 (2020: HK\$3,066,262,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities 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 consolidated financial statements have been prepared on a going concern basis.

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment. Office demand and retail sentiments are impacted by the outbreak of COVID-19. During the current year, as the economic environment remain uncertain, the consolidated results of operations and fair value of the investment properties were impacted.

4. SEGMENT INFORMATION

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

Segment revenue and results

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

For the year ended 31 December 2021

	<u>Three Garden Road</u> HK\$'000	<u>Langham Place Office Tower</u> HK\$'000	<u>Langham Place Mall</u> HK\$'000	<u>Consolidated</u> HK\$'000
Revenue	<u>1,607,792</u>	<u>414,073</u>	<u>747,348</u>	<u>2,769,213</u>
Segment results				
- Net property income	<u>1,312,884</u>	<u>327,230</u>	<u>556,901</u>	<u>2,197,015</u>
Other income				82,018
Manager's fee				(265,999)
Trust and other expenses				(23,892)
Decrease in fair value of investment properties				(2,079,354)
Allowance for credit losses on notes receivables and interest receivables				(76,149)
Finance costs				(431,336)
Share of results of a joint venture				22,314
Loss before tax and distribution to unitholders				(575,383)
Income taxes				(255,981)
Loss for the year, before distribution to unitholders				(831,364)
Distribution to unitholders				(1,352,982)
Loss for the year, after distribution to unitholders				(2,184,346)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Decrease in fair value of investment properties	<u>(1,264,000)</u>	<u>(108,000)</u>	<u>(707,354)</u>	<u>(2,079,354)</u>

4. **SEGMENT INFORMATION** - continued

Segment revenue and results - continued

For the year ended 31 December 2020

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	<u>1,672,012</u>	<u>428,659</u>	<u>819,649</u>	<u>2,920,320</u>
Segment results				
- Net property income	<u>1,369,214</u>	<u>346,091</u>	<u>631,798</u>	<u>2,347,103</u>
Other income				54,368
Manager's fee				(281,652)
Trust and other expenses				(26,021)
Decrease in fair value of investment properties				(13,847,195)
Finance costs				<u>(472,803)</u>
Loss before tax and distribution to unitholders				(12,226,200)
Income taxes				<u>(270,890)</u>
Loss for the year, before distribution to unitholders				(12,497,090)
Distribution to unitholders				<u>(1,476,445)</u>
Loss for the year, after distribution to unitholders				(13,973,535)
 Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Decrease in fair value of investment properties	<u>(7,397,850)</u>	<u>(1,373,000)</u>	<u>(5,076,345)</u>	<u>(13,847,195)</u>

4. SEGMENT INFORMATION - continued

Other segment information

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
<u>For the year ended 31 December 2021</u>				
Additions to non-current assets	-	-	57,354	57,354
<u>For the year ended 31 December 2020</u>				
Additions to non-current assets	-	-	-	-

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2021, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$39,868,000,000 (2020: HK\$41,132,000,000), HK\$8,947,000,000 (2020: HK\$9,055,000,000) and HK\$16,481,000,000 (2020: HK\$17,131,000,000), respectively.

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

Geographical information

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

The Group's revenue from external customers and information about its non-current assets (excluding interest in a joint venture) are all located in Hong Kong.

Information about major tenants

For the year ended 31 December 2021, there was one tenant (2020: one) whose revenue contributed over 10% of the total revenue of the Group.

5. RENTAL INCOME

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Property rental income	2,416,887	2,557,924
Car park income	47,308	41,169
	<u>2,464,195</u>	<u>2,599,093</u>

6. RENTAL RELATED INCOME

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Interest income from tenants	919	1,341
Promotional levy income	12,614	13,494
Sundry income	17,295	19,329
	<u>30,828</u>	<u>34,164</u>

7. PROPERTY OPERATING EXPENSES

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Allowance for credit losses on trade receivables	2,987	1,001
Building management expenses	323,642	323,919
Car park operating expenses	11,317	11,374
Government rent and rates	93,842	100,773
Legal cost and stamp duty	1,989	3,566
Promotion expenses	17,900	23,006
Property and lease management service fee	75,173	78,514
Property miscellaneous expenses	8,421	3,626
Rental commission	29,252	24,782
Repairs and maintenance	7,675	2,656
	<u>572,198</u>	<u>573,217</u>

8. OTHER INCOME

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Bank interest income	1,521	27,962
Bond interest income	78,526	23,165
Dividend income	1,971	646
Gain from derecognition of financial assets measured at amortised cost	-	2,595
	<u>82,018</u>	<u>54,368</u>

9. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2021 and 31 December 2021, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2021 and 31 December 2021 as remuneration.

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Manager's fee:		
In the form of units	132,999	140,826
In the form of cash	133,000	140,826
	<u>265,999</u>	<u>281,652</u>

Based on the election results on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June 2021 and 31 December 2021 arising from the properties currently owned by Champion REIT (including the property held by a joint venture) 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.

10. FINANCE COSTS

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Finance costs represent:		
Interest expense on bank borrowings	168,555	236,673
Interest expense on medium term notes	256,387	233,314
Other borrowing costs	6,394	2,816
	<u>431,336</u>	<u>472,803</u>

11. LOSS BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Loss before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditors' remuneration	2,641	2,527
Trustee's remuneration	10,131	12,852
Principal valuer's fee	230	245
Other professional fees and charges	8,882	7,861
Roadshow and public relations expenses	1,036	1,052
Bank charges	1,009	355
Exchange difference	(770)	1,082
Share of tax of a joint venture (included in the share of results of a joint venture)	3,015	-
	<u>3,015</u>	<u>-</u>

12. INCOME TAXES

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Hong Kong Profits Tax:		
Current tax		
- Current year	218,274	233,278
- (Over)underprovision in prior years	(527)	4
	<u>217,747</u>	<u>233,282</u>
Deferred tax		
- Current year	38,234	37,608
	<u>38,234</u>	<u>37,608</u>
	<u>255,981</u>	<u>270,890</u>

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

13. BASIC LOSS PER UNIT

The calculation of the basic loss per unit before distribution to unitholders is based on the loss for the year before distribution to unitholders of HK\$831,364,000 (2020: HK\$12,497,090,000) with the weighted average number of units of 5,928,356,240 (2020: 5,895,625,190) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2021 and 2020.

There were no dilutive potential units in issue during the years ended 31 December 2021 and 2020, therefore the diluted loss per unit has not been presented.

14. TRADE AND OTHER RECEIVABLES

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Trade receivables	59,734	60,405
Less: Allowance for credit losses	<u>(2,987)</u>	<u>(1,001)</u>
	<u>56,747</u>	<u>59,404</u>
Deferred lease receivables	<u>142,369</u>	<u>165,605</u>
Deposits, prepayments and other receivables	88,532	91,776
Less: Allowance for credit losses	<u>(1,779)</u>	<u>-</u>
	<u>86,753</u>	<u>91,776</u>
	<u>285,869</u>	<u>316,785</u>

Rental receivables from tenants, which are included in trade receivables, 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 net of allowance for credit loss presented based on the invoice date at the end of the reporting period is as follows:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
0 - 3 months	17,754	30,777
3 - 6 months	2,308	16,670
Over 6 months	<u>36,685</u>	<u>11,957</u>
	<u>56,747</u>	<u>59,404</u>

15. TRADE AND OTHER PAYABLES

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Trade payables	187,771	68,262
Rental received in advance	49,014	33,420
Other payables and accruals (note (i))	304,789	1,049,965
Accrued stamp duty (note (ii))	<u>963,475</u>	<u>963,475</u>
	<u>1,505,049</u>	<u>2,115,122</u>

15. TRADE AND OTHER PAYABLES - continued

- (i) As at 31 December 2021, manager's fee payable of 128,787,000 is included in other payables and accruals. As at 31 December 2020, manager's fee payable of HK\$138,332,000 and a consideration payable of HK\$775,350,000 in relation to notes receivable acquired in December 2020 were included in other payables and accruals.
- (ii) The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2020: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interest in Three Garden Road upon listing.

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

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
0 - 3 months	<u>187,771</u>	<u>68,262</u>

16. ISSUED UNITS

	<u>Number of units</u>	HK\$'000
Balance at 1 January 2020	5,872,789,311	24,564,410
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>33,353,390</u>	<u>144,741</u>
Balance at 31 December 2020	5,906,142,701	24,709,151
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>30,936,897</u>	<u>137,773</u>
Balance at 31 December 2021	<u>5,937,079,598</u>	<u>24,846,924</u>

Note:

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

<u>Issue date</u>	<u>Payment of the Manager's fees for the period</u>	<u>Issue price per unit determined based on the Trust Deed</u> HK\$	<u>Number of units issued</u>	<u>Aggregate issue price</u> HK\$'000
In 2021				
5 March 2021	1.7.2020 to 31.12.2020	4.518	15,309,022	69,166
25 August 2021	1.1.2021 to 30.6.2021	4.390	<u>15,627,875</u>	<u>68,607</u>
			<u>30,936,897</u>	<u>137,773</u>
In 2020				
4 March 2020	1.7.2019 to 31.12.2019	4.555	16,044,212	73,081
4 September 2020	1.1.2020 to 30.6.2020	4.140	<u>17,309,178</u>	<u>71,660</u>
			<u>33,353,390</u>	<u>144,741</u>

17. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2021 of HK\$48,962,619,000 (2020: HK\$50,857,598,000) by the number of units in issue of 5,937,079,598 as at 31 December 2021 (2020: 5,906,142,701).

18. NET CURRENT LIABILITIES

At 31 December 2021, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$2,970,858,000 (2020: HK\$3,066,262,000).

19. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2021, the Group's total assets less current liabilities amounted to HK\$62,954,924,000 (2020: HK\$64,572,212,000).

20. CAPITAL COMMITMENT

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	<u>45,083</u>	<u>45,083</u>