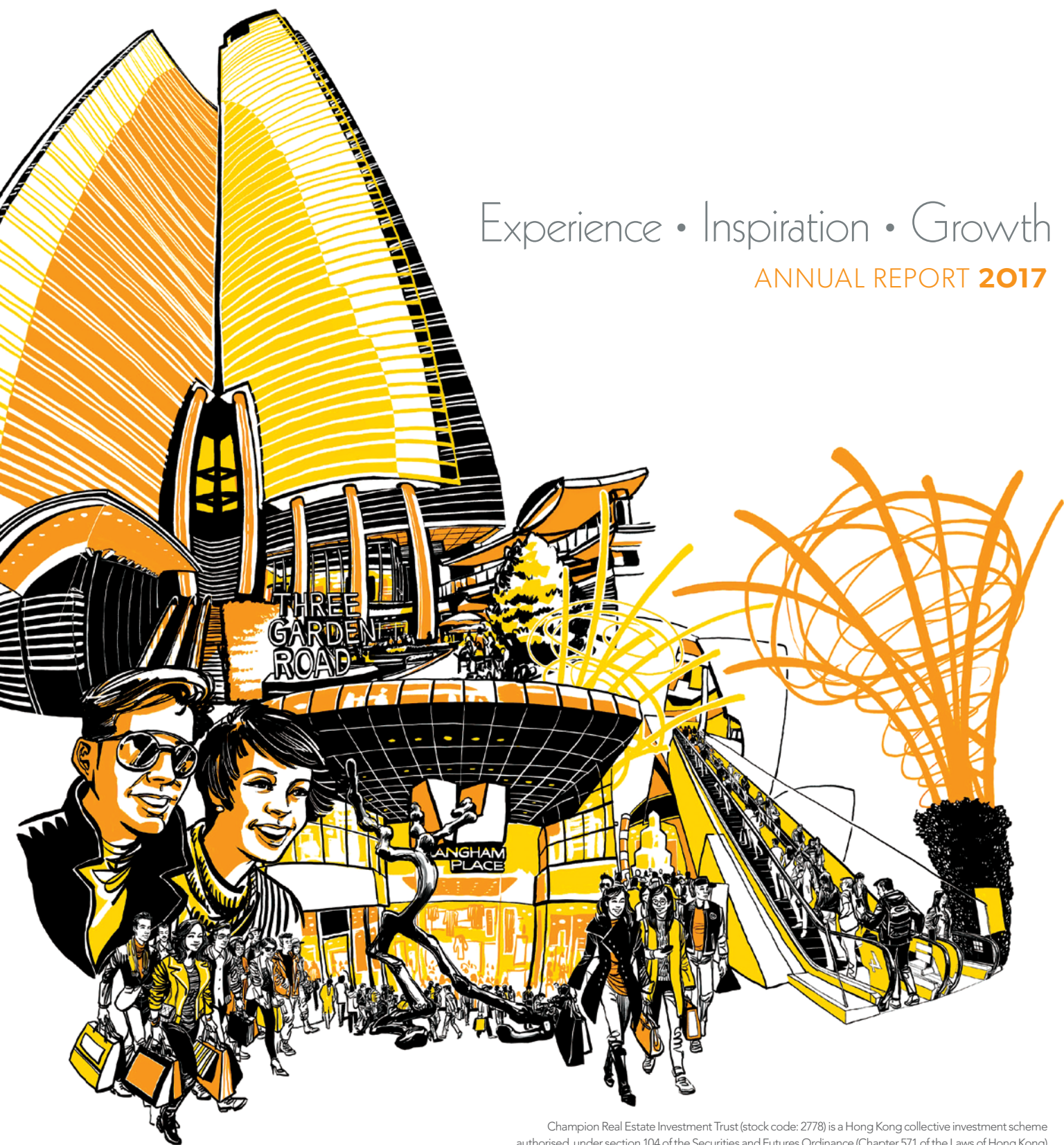


Experience • Inspiration • Growth

ANNUAL REPORT 2017

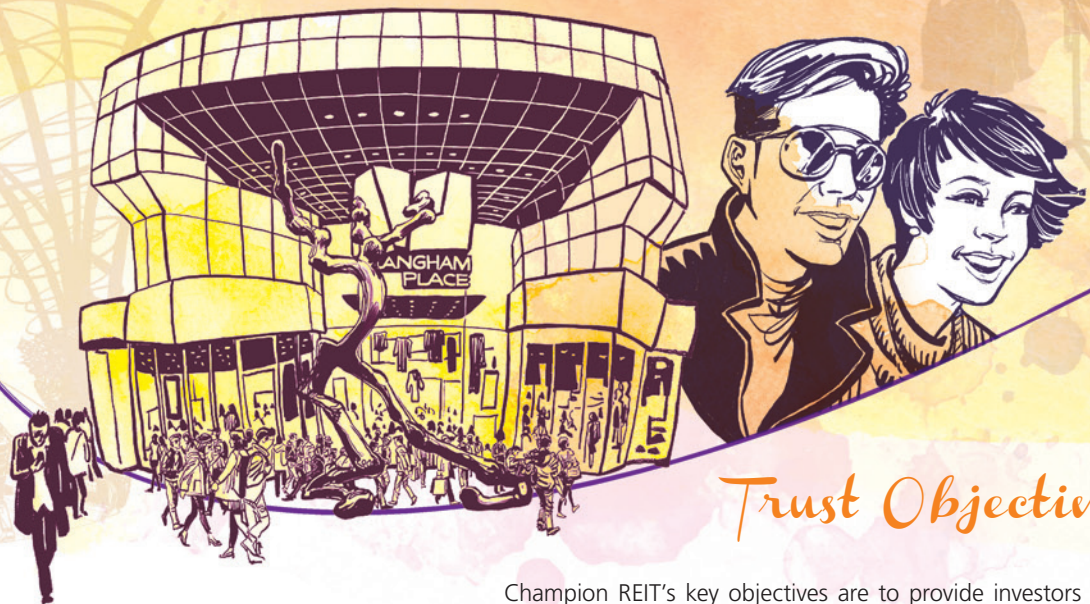


Trust Profile

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.



Experiential Journey



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.

Contents

REVIEW

Timeline of Significant Events	2
Five Year Financial Summary	3
Chairman's Report to Unitholders	4
CEO's Review	6
Awards & Achievements	10

MANAGEMENT

Board of Directors	12
Senior Management	17
Management Philosophy	19
Financial Review	20
Environmental and Social Review	23

PORTFOLIO

Property Portfolio At-a-glance	32
Three Garden Road	34
Langham Place	38

REPORTS

Valuation Report	46
Trustee's Report	74
Corporate Governance Report	75
Connected Party Transactions Report	98
Disclosure of Interests	106

FINANCIALS

Independent Auditor's Report	110
Financial Statements	115
Major Real Estate Agents and Contractors	167
Performance Table	168

CORPORATE INFORMATION



Experience • Inspiration • Growth

The cover of this annual report was created by Rob Sketcherman, an artist known for his expertise in using an iPad to vividly render urban scenes and life drawings. In showcasing our most iconic buildings and the successful business executives and discerning young individuals who work and shop there, Rob has brought to life our relentless pursuit of top quality asset management. The ultimate inspiration for his design is our determination to leverage technology and interactivity to curate new experiences for our tenants, shoppers and stakeholders. As always, our ultimate goal is to achieve responsible and sustainable growth.

Like to learn how Rob created this year's astonishingly lifelike artwork? Simply scan the QR code below to watch a fascinating time-lapse summary of Rob's rendering process.



Timeline of Significant Events

2017



Champion REIT was awarded Best Investor Relations Company by Corporate Governance Asia



Announcement of 2017 Interim Results



Payment of 2017 Interim Distribution

2018



Announcement of 2017 Final Results



Closure of Register of Unitholders



Annual General Meeting



Payment of 2017 Final Distribution

Five Year Financial Summary

For the year ended 31 December

2013	2014	2015	2016	2017	PROFIT (HK\$ MIL)
\$1,989	\$2,080	\$2,063	\$2,299	\$2,431	Total Rental Income
(\$241)	(\$280)	(\$279)	(\$272)	(\$265)	Net Property Operating Expenses
\$1,748	\$1,800	\$1,784	\$2,027	\$2,166	Net Property Income
\$2,199	\$1,929	\$3,305	\$3,182	\$11,140	Profit After Tax

2013	2014	2015	2016	2017	DISTRIBUTIONS (HK\$)
\$1,271	\$1,234	\$1,212	\$1,408	\$1,487	Distributable Income (mil)
\$1,201	\$1,171	\$1,146	\$1,331	\$1,413	Distribution Amount (mil)
\$0.210	\$0.204	\$0.198	\$0.229	\$0.243	Distribution per Unit

2013	2014	2015	2016	2017	VALUATION (HK\$)
\$61,509	\$62,438	\$64,783	\$66,842	\$76,704	Gross Value of Portfolio (mil)
\$7.94	\$8.06	\$8.40	\$8.72	\$10.36	Net Asset Value per Unit

2013	2014	2015	2016	2017	FINANCIAL RATIOS
12.1%	13.5%	13.5%	11.8%	10.9%	Net Expense Ratio
94.5%	94.8%	94.5%	94.5%	95.0%	Payout Ratio
23.4%	23.1%	22.1%	21.7%	18.9%	Gearing Ratio

As at 31 December

2013	2014	2015	2016	2017	OPERATIONAL STATISTICS
84.8%	75.4%	91.2%	95.9%	94.2%	Three Garden Road Office Occupancy
\$84.60	\$77.53	\$75.39	\$78.20	\$92.52	...and Passing Rent (HK\$ psf)
99.0%	100.0%	100.0%	100.0%	97.1%	Langham Place Office Occupancy
\$32.86	\$35.87	\$37.50	\$39.66	\$40.79	...and Passing Rent (HK\$ psf)
100.0%	100.0%	100.0%	100.0%	100.0%	Langham Place Mall Occupancy
\$144.26	\$165.44	\$174.54	\$178.74	\$176.71	...and Passing Rent (HK\$ psf)

Chairman's Report to Unitholders



We will continue to remain prudent when reviewing our portfolio and investigating sound strategic opportunities to benefit and optimize value for unitholders.

Dr. LO Ka Shui
Chairman

Distributable income reached another **record high** in 2017

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

Total rental income for 2017 recorded an increase of 5.7% to HK\$2,431 million (2016: HK\$2,299 million). Positive rental reversions for both

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

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

The appraised value of the Trust's properties as at 31 December 2017 stood at HK\$76.7 billion, an increase of 14.8% over HK\$66.8 billion as at 31 December 2016. This increase was driven primarily by higher rental rate assumptions. Net asset value per unit as at 31 December 2017 was HK\$10.36, an increase of 18.8%

when compared with HK\$8.72 for 31 December 2016. The Trust's gearing ratio decreased to 18.9% as at 31 December 2017 from 21.7% as at 31 December 2016.

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

Key global economic data point towards a more optimistic outlook for the world's major markets in 2018. Accelerated growth in Mainland China's economy and RMB appreciation may also help boost the recovery of Hong Kong's retail sector. Together with the ongoing liberalization of its country's financial markets, the Chinese government's development of the Guangdong-Hong Kong-Macau Greater Bay Area could well reinforce

Hong Kong's status as a leading Asian financial hub. Collectively, these trends should also help strengthen long-term demand for office space in the Central Business District.

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

LO Ka Shui
Chairman

CEO's Review

Positive rental reversion should continue for our office portfolio in the coming year. The operating environment for retailers has improved, we are prudently optimistic for 2018.

Ms. WONG Ka Ki, Ada
Chief Executive Officer



Exploring opportunities in rebalancing the property portfolio

THREE GARDEN ROAD

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

Chinese financial institutions and corporations continued to be Central's major office tenants.

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

	2017 HK\$'000	2016 HK\$'000	Change
Three Garden Road			
Rental Income	1,231,542	1,157,217	+ 6.4%
Net Property Operating Expenses	119,172	117,570	+ 1.4%
Net Property Income	1,112,370	1,039,647	+ 7.0%
Langham Place Office Tower			
Rental Income	343,939	324,743	+ 5.9%
Net Property Operating Expenses	25,728	29,643	- 13.2%
Net Property Income	318,211	295,100	+ 7.8%
Langham Place Mall			
Rental Income	855,540	816,949	+ 4.7%
Net Property Operating Expenses	119,807	125,182	- 4.3%
Net Property Income	735,733	691,767	+ 6.4%

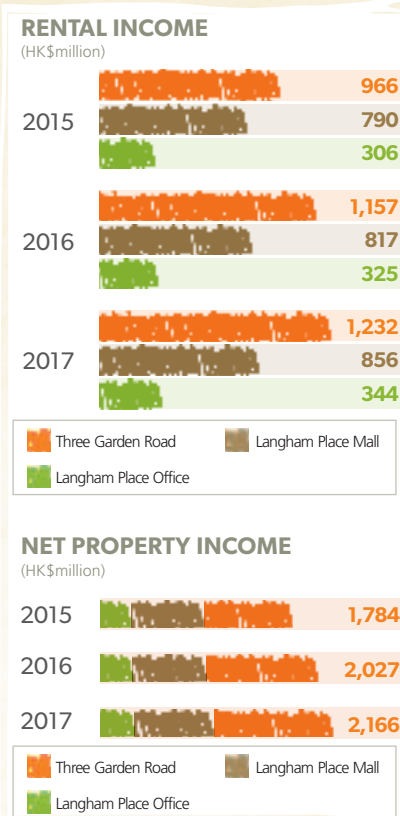
The property continued to achieve significant positive rental reversions in 2017 and drove rental income growth of 6.4% to reach HK\$1,232 million (2016: HK\$1,157 million). Passing rents surged 18.3% to HK\$92.52 per lettable sq. ft. from HK\$78.20 per lettable sq. ft. as at 31 December 2016. Market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

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

commissions at this property were offset by higher government rents and rates.

LANGHAM PLACE OFFICE TOWER

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



CEO's Review

property's proportion of lifestyle, healthcare and beauty segments had expanded to 52% of its tenant mix.

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

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

LANGHAM PLACE MALL

Buoyed by an improved local economy and rising tourist arrivals, Hong Kong's retail market showed encouraging signs of a recovery in the second half of 2017. Tenant sales at Langham Place Mall were also experiencing a rebound until March 2017's escalator incident sparked a mid-year slowdown. A special post-escalator incident promotion program helped minimize potentially negative fall

out by bringing fresh experience to shoppers. Over the course of 2017, sales at Langham Place Mall increased by 5.3%, measurably outperforming the local retail market's 2.2% sales again.

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

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

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

OUTLOOK

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

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

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

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

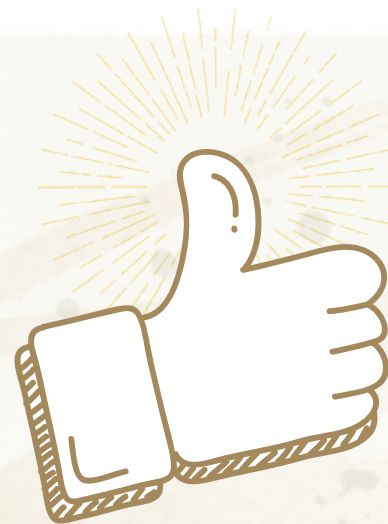
WONG Ka Ki, Ada

Chief Executive Officer

Awards and Achievements

Superior Performance

The Trust has received multiple awards and accolades from renowned financial media and professional associations, recognizing its outstanding performance over the year. The Trust was bestowed: Best Investor Relations Company by Corporate Governance Asia, Listed Enterprise Awards 2017 by Bloomberg Businessweek Chinese Edition and Most Soaring Companies Award by Tencent and Finet. At property level, Langham Place has captured RICS Awards Hong Kong 2017 – Retail Team of the Year and Top 10 My Favourite Shopping Mall Awards by Hong Kong Economic Times.



CHAMPION REIT

Asia's Best CEO, Best Investor Relations Professional and Best Investor Relations Company

Corporate Governance Asia

Best IR by Chairman/CEO and Best IR Presentation Collaterals

Hong Kong Investor Relations Association

Listed Enterprise of the Year 2017

Bloomberg Businessweek

Most Soaring Companies Award

Tencent and Finet

2017 Best Annual Reports: Excellence Awards for Small Size Entries

Hong Kong Management Association

International ARC Awards: Traditional Annual Report – Gold Award and Cover Photo/Design – Bronze Award

MerComm. Inc

Outstanding Social Caring Organization Award

Social Enterprise Research Institute

5 Years + Caring Company Logo (2017/2018)

The Hong Kong Council of Social Service



THREE GARDEN ROAD

**Indoor Air Quality Certificate
– Excellent Class**
Environmental Protection Department

**Outstanding Security Services
– Industrial/Commercial Property
Award in the Hong Kong Island Best
Security 2016-2017**
Hong Kong Police Force

**Certificate of Merit in Green
Achievement Award 2017**
HSBC Living Business

Energywise Certificate – Good Level
*Hong Kong Green Organization
Certification*

Tree Conservation Scheme – Certificate
*Hong Kong Environmental Protection
Association*

**Property Management (Commercial &
Industrial) – Certificate of Merit**
*Hong Kong Awards for Environmental
Excellence*

**Quality Water Supply Scheme for
Buildings – Fresh Water (Plus)
– (Basic Plan)**
Water Supplies Department

HK No Air-Con Night 2017 – Certificate
Green Sense

Caring Company Logo (2017/2018)
The Hong Kong Council of Social Service



LANGHAM PLACE

**RICS Awards Hong Kong 2017 – “Retail
Team of the Year” Certificate of Excellence**
The Royal Institution of Chartered Surveyors

**My Favourite Shopping Mall Awards
2017-18 “Top 10 My Favourite
Shopping Mall Awards”, “Top 25
My Favourite Shopping Mall Events”**
Hong Kong Economic Times

**Hong Kong Green Awards 2017 – Green
Management Award – Service Provider
(Large Corporation) – Gold Award**
Green Council

**Top 10 Social Inclusion Shopping Mall
Award, Shopping Mall Supporting
Facilities Award, Customer Service Awards
Silence**

**Best Property Management Award in
Occupational Safety and Health
– Gold Award**
Occupational Safety and Health Council

**2016 Security Services Best Training
– Gold Award**
*Vocational Training Council and Hong Kong
Police Force (Crime Prevention Bureau)*

**Outstanding Customer Service Program
Award – Bronze Award**
*Hong Kong Association for Customer
Service Excellence*

**Marketing Excellence Awards 2017
“Excellence in Mass Event” Bronze
Award**
Marketing Magazine

**Hong Kong Star Brands Award 2017
(Enterprise)**
*Hong Kong Small and Medium
Enterprises Association*

**10 Years + Caring Company Logo
(2017/2018)**
The Hong Kong Council of Social Service

**Kowloon West Best Security Services
Award 2016**
Hong Kong Police Force

**Rank number 2 of Top 10 Most
Influential HK Corporations in 2016**
Sina Weibo

Board of Directors



The Board of Eagle Asset Management (CP) Limited, the REIT Manager, principally oversees the day-to-day management of the REIT Manager's affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board will also review major financial decisions and the performance of the REIT Manager. The Board currently consists of the Chairman, the Chief Executive Officer, 2 Non-executive Directors and 4 Independent Non-executive Directors.



Dr. LO Ka Shui

Chairman and Non-executive Director



aged 71, 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, a member of the Board of Trustees of The Hong Kong Centre for Economic Research and a Vice Chairman of The Chamber of Hong Kong Listed Companies.

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. Dr. Lo is an elder brother of Mr. Lo Kai Shui, a Non-executive Director of the REIT Manager.





Ms. WONG Ka Ki, Ada

Chief Executive Officer and Executive Director



aged 37, 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-raisings 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 title of Asia Best CEO by Corporate Governance Asia. She is also a Fellow member of the Royal Institution of Chartered Surveyors.



Board of Directors



Mr. IP Yuk Keung, Albert

Non-executive Director



aged 66, 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). Mr. Ip is the Executive Director and Chief Executive Officer of the Manager of the publicly listed trust, Langham Hospitality Investments. He is also an Independent Non-executive Director of Hopewell Highway Infrastructure Limited, Hopewell Holdings Limited, Lifestyle International Holdings Limited, Power Assets Holdings Limited and TOM Group Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong. During the past two years, Mr. Ip was an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited and New World China Land Limited.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of City University of Hong Kong, Hang Seng Management College, The Hong Kong Polytechnic University, Hong Kong University of Science and Technology and Adjunct Distinguished Professor in Practice at the University of Macau. He is an Honorary Professor of Lingnan 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.



Mr. LO Kai Shui

Non-executive Director



aged 58, was appointed a Non-executive Director of the REIT Manager in 2006. He is also a Director of all special purpose vehicles of Champion REIT. Mr. Lo is the founder of Sun Fook Kong Group Limited. He has more than thirty years of property development, investment and building construction experience and has been involved in numerous construction projects both in public and private sectors.

Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a younger brother of the Chairman, Dr. Lo Ka Shui.



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

aged 75, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman of the Board of Directors of HKR International Limited, the Chairman and Non-executive Director of Hanison Construction Holdings Limited and an Independent Non-executive Director of New World Development Company 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 forty-five years of experience in property development and investment.

**Mr. CHENG Wai Chee, Christopher***Independent Non-executive Director*

aged 69, 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, a steward of the board of The Hong Kong Jockey Club, the former Chairman of the Hong Kong General Chamber of Commerce and a member of Judicial Officers Recommendation Commission of the Government of the HKSAR.

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.



Board of Directors



Mr. HO Shut Kan

Independent Non-executive Director



aged 69, 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. He is currently serving as an Executive Director and the Chief Executive Officer of Kerry Properties Limited, a listed company in Hong Kong. He is also a director of Shang Properties, Inc. which is listed in the Philippines.

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 72, 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 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 MTR Corporation Limited, 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 and Everbright Grand China Assets 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). Mr. Shek was an Independent Non-executive Director of Dorsett Hospitality International Limited, ITC Corporation Limited (now known as PT International Development Corporation Limited), Jinheng Automotive Safety Technology Holdings Limited (now known as TUS International Limited) and Midas International Holdings 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.



Senior Management



The REIT Manager, Eagle Asset Management (CP) Limited, is charged with the responsibility of managing the assets of Champion REIT for the benefit of Unitholders. It is responsible for ensuring compliance with the applicable provisions of the Code on Real Estate Investment Trusts ("REIT Code"), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and other relevant legislation.

As part of its duties, it will set the strategic direction and risk management policies of Champion REIT, appoint and supervise service providers, and initiate the acquisition, divestment or enhancement of assets. Communication with investors and other stakeholders is another role of the REIT Manager.



Ms. WONG Ka Ki, Ada

Chief Executive Officer

aged 37, Chief Executive Officer, Responsible Officer and Manager-In-Charge, 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 and oversees the day-to-day operations. Additionally, 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.

Biographical information on Ms. Wong can be found on the page highlighting the board of directors, of which she is a member.



Mr. LEUNG Kin Shan

Business Development Director

aged 34, is responsible for identifying and evaluating potential business development opportunities in line with the strategy of Champion REIT. He has over 10 years of experience in the finance industry. Prior to joining the REIT Manager, Mr. Leung worked at Standard Chartered and Citigroup's investment banking division in originating and executing capital markets and M&A transactions for clients across Asia.

Mr. Leung graduated from University of Michigan (Ann Arbor), with a Bachelor of Business Administration degree from Ross School of Business and a Bachelor of Arts degree from College of Literature, Science and the Arts.



Ms. LUK Ka Ping, Amy

Investment and Investor Relations Director

aged 45, is responsible for identifying and evaluating potential investment opportunities, overseeing the capital structure and investor relations of Champion REIT. She has over 15 years of experience in the financial industry. Before joining the REIT Manager, Ms. Luk has been involved in equity research covering the Hong Kong real estate sector for over 10 years at various international financial institutions, making recommendations on equity investments.

Ms. Luk holds a Master of Business Administration from the University of Rochester and a Bachelor of Business Administration from the Hong Kong University of Science and Technology. She is a Chartered Financial Analyst. She was honoured with the title of Best Investor Relations Professional by Corporate Governance Asia.



Mr. KWONG Chi Kwong

Chief Operating Officer

aged 58, Responsible Officer and Manager-In-Charge, is responsible for overseeing the computer systems and establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the operation level for Champion REIT. Mr. Kwong has more than 25 years of experience in the property industry and has held a variety of management and supervisory roles in areas of leasing and sales of properties, formulation and implementation of market plans, market research, site acquisitions, feasibility studies, liaison with government authorities and external professionals and administration.

Mr. Kwong holds a Bachelor of Arts degree from The University of Hong Kong.



Senior Management



Ms. LAU Yee Tong, Yvonne

Asset Management Director

aged 51, Responsible Officer and Manager-In-Charge, is responsible for overseeing the management of Champion REIT's properties and formulating the business plans of Champion REIT's properties and supervising the property management team with a view to maximizing rental income via active asset management. She joined the REIT Manager in September 2016 with over 20 years of solid and all-rounded experience in leasing and asset management of commercial properties in Hong Kong and China. Before joining the REIT Manager, Ms. Lau was the Director of Asset Management for ARA Management Pte Ltd. She has also worked at other major property developers in Hong Kong such as Hysan, Sun Hung Kai and Wharf.

Ms. Lau holds a Master of Science degree in Real Estate from The University of Hong Kong; a Postgraduate Diploma in Arbitration and Mediation from the HKU School of Professional and Continuing Education ("HKU SPACE") and a Professional Diploma in Real Estate Administration (with Distinction) from HKU SPACE.



Ms. FUNG Mei Sin, Pamela

Compliance Manager

aged 47, Manager-In-Charge, is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. She is also responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the trust administrative level for Champion REIT. She has more than 20 years compliance and corporate secretarial experience gained from various reputable listed companies and certified public accountants firms.

Ms. Fung holds a Bachelor of Arts (Hons) Degree in Business Studies from the University of Greenwich.



Ms. SUNG Kar Wai, Rosana

Senior Finance Manager

aged 43, Manager-In-Charge, is responsible for the financial reporting of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. Ms. Sung is also a Director of all special purpose vehicles of Champion REIT. With more than 20 years of accounting and audit experience, Ms. Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

Ms. Sung holds a Master of Professional Accounting degree from the Hong Kong Polytechnic University and a Bachelor of Business Administration degree with major in Accountancy from the Chinese University of Hong Kong. She is also an associate member of Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants.



Mr. YUEN Chi Hang, Tony

Internal Audit Manager

aged 43, Manager-In-Charge, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures the risk management and internal control systems of the REIT Manager function properly and provides internal audit reports to the Audit Committee of the Board of Directors on a regular basis. Prior to joining the REIT Manager, Mr. Yuen worked as an internal auditor at a well-recognized listed property company and has over 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

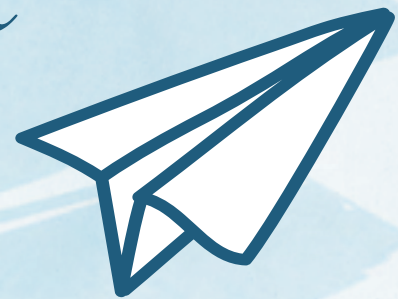
Mr. Yuen holds a Bachelor of Commerce degree in Professional Accounting from Macquarie University. He is a CPA (Aust.), Chartered Global Management Accountant and Associate Chartered Management Accountant.



Management Philosophy

Value Creation

The REIT Manager remains committed to providing Unitholders with attractive total returns in the form of stable and sustainable Distribution per Unit and long-term growth in Net Asset Value per Unit. It will achieve this through proactive asset management and the selective acquisition of properties.



Asset Management Strategy

The REIT Management Team, working closely with the Property Management Team, will proactively manage its properties to achieve the following:

Maximize Rental Income

Optimize the rental income from each tenancy and, where possible, augment rental income through additional floor area, asset enhancements or turnover rent.

High Occupancy Levels

Keep high occupancy levels through maintaining high quality service and technical standards, and by capitalizing on the requirements of targeted tenant niches and actively managing tenancy expiries.

High Tenancy Renewal Rates

Maintain high tenancy renewal rates through proactive tenant relationship management and anticipation of future tenant needs. This will minimize rental losses due to downtime and lead to lower expenses and agency fees incurred for new tenancies.

A Quality Tenant Base

Retain a quality tenant base built upon high covenant, multi-national office occupiers and well recognized retail tenants in order to maintain a premium image for our properties and to minimize default rates.



Acquisition Strategy

The REIT Manager intends to actively pursue yield enhancing opportunities through the addition of new income producing commercial properties. The following investment criteria will be used in the evaluation of acquisition opportunities:

Yield Accretion

Properties to be acquired should either have strong existing rental income or the potential for higher rental income.

Potential for Net Asset Growth

Macro economic factors and the potential for future changes in asset value will be assessed.

Tenant Characteristics

Rent and occupancy trends will be assessed with emphasis on good tenant retention/default rates.

Location and Accessibility

Properties that have convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.

Value-adding Opportunities

Opportunities to add value through renovation will be scrutinized. Other enhancements and proactive property management will also be assessed.

Building Specifications

The building specifications should be best of class. Other aspects such as building condition and compliance with regulations will also be examined.

Financial Review

DISTRIBUTIONS

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

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

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

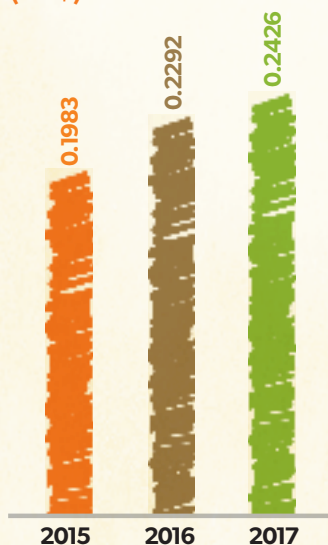
CLOSURE OF REGISTER OF UNITHOLDERS

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

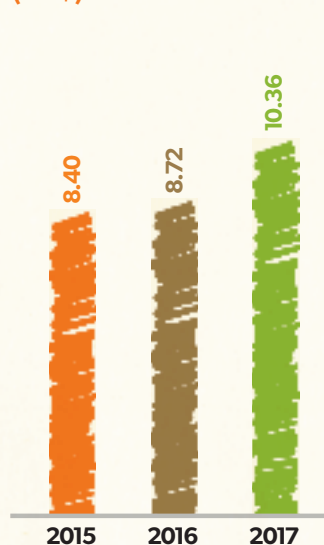
Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 31 December 2017 and be entitled to attend and vote at the 2018 Annual General Meeting to be held on Wednesday, 9 May 2018, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. Thursday, 3 May 2018.

**DISTRIBUTION PER UNIT
(HK\$)**



**NET ASSET VALUE PER UNIT
(HK\$)**



DEBT PROFILE

Outstanding Debt Facilities⁽¹⁾⁽²⁾

As at 31 December 2017

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

(1) All amounts are stated at face value

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

(3) After interest rate swaps

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

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

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

Outstanding Debt Maturity Profile⁽¹⁾

As at 31 December 2017

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

(1) All amounts are stated at face value

(2) After accounting for cross-currency swaps

Financial Review

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

NET ASSET VALUE PER UNIT

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

CASH POSITION

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

PLEDGE ASSETS

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

COMMITMENTS

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



Environmental and Social Review

Sustainability

Sound corporate social responsibility has long been central to Champion REIT's business philosophy and culture. We do our utmost to integrate sustainable development into every facet of our business and striving hard to engage stakeholders such as customers, partners, investors and employees. Our ultimate aim is to create long-term value for not only our business but also the communities in which we operate.



HANG SENG SUSTAINABILITY INDEX

In 2017, we were once again recognised for our ongoing efforts on the environmental, social and corporate governance standards fronts. We also retained our position as a constituent member of the Hang Seng Sustainability Benchmark Index for a second successive year. The Index remains a respected reference benchmark for investors to identify companies that perform strongly with regard to corporate social responsibility.

WORKPLACE QUALITY

Health and Safety

Champion REIT's properties integrate the full range of health and safety features expected of modern premium-grade real estate developments. We have established emergency procedures and crisis management plan for employees to report and handle health hazards. In addition to various measurements for reducing mass infection, we ensure that the readiness of alternate site offices has been put in place. Regular drills simulating fire hazards and power suspension are conducted to ensure effective crowd management and evacuations.

In 2017, our property management team hosted a Safety Charter Signing Ceremony at which senior representatives of our major contractors' management teams reiterated their shared commitment to enhancing safety awareness in the workplace. Our management systems' monitoring and operating procedures at both Three Garden Road and Langham Place are certified under OHSAS (Occupational Health and Safety Assessment Series) 18001. Langham Place has also received Gold Award (Best Property Safety Management) in recognition of its outstanding efforts towards the attaining of high safety standards.



Environmental and Social Review



Best Property Safety Management – Gold Award

We are also committed to ensuring satisfactory air and water quality at our properties. In meeting tenants' high expectations of indoor air quality and circulation, Champion REIT's properties have both earned coveted 'Excellent' classifications from the Hong Kong Environmental Protection Department's Indoor Air Quality Certification Scheme for common areas. These properties have also been certified by the Hong Kong Water Supplies Department under the Quality Water Supply Scheme for Buildings – Fresh Water.

Working Conditions

Champion REIT is managed by the REIT Manager and so does not directly employ any staff. The REIT Manager is dedicated to diversity in the workplace and meticulously adheres to Hong Kong's equal opportunity laws. Under our stringent in-house equal opportunities policy, no job applicant or employee will be disadvantaged by, or receive, less favourable treatment because of their disability, gender, pregnancy, marital status or sexual orientation.

Champion REIT has always recognized that maintaining a healthy work-life balance is essential for a contented and productive workforce. To this end, the REIT Manager employees who work with us enjoy access to various staff wellness and interest activities, such as a basketball club, baking classes and a staff Christmas party.

The REIT Manager has launched an internship initiative that provided a wide range of short-term job openings for university students since 2015. Enabling participants to practice what they had learned in real-life situations, the internships were designed to equip students with valuable real estate industry experience before they became full-time professionals.

"Working as an intern at Eagle Asset Management has given me a precious opportunity to not only learn essential practical skills from senior mentors, but also make contacts in the workforce. Enabling me to conduct in-depth business research and assist in preparing the company's annual report, my semester-long internship has ultimately been of great benefit to me."

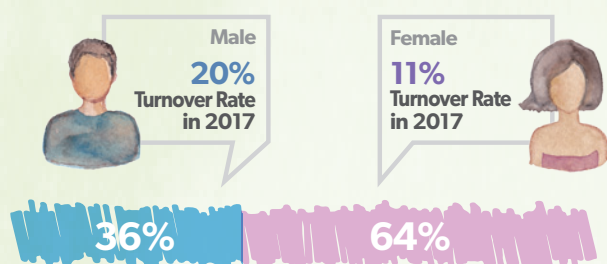
Derrick Kwok
2017 Intern



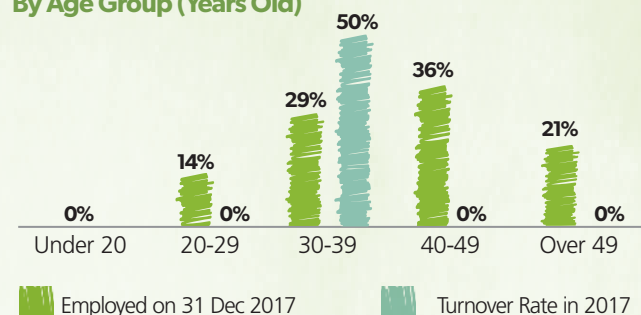
Breakdown of Employees and Employee Turnover Rate by Age Group and Gender

By Gender

Employed on 31 Dec 2017



By Age Group (Years Old)



The above table only refers to the REIT Manager employees excluding interns. As the REIT Manager delegates essential property and lease management, marketing and promotion projects to various service providers, it employs a relatively small workforce. This may result in misleadingly high turnover rates in cases where single employees in any one category need to be replaced.

Development and Training

We believe that the easy availability of training and development opportunities is essential when it comes to attracting and retaining quality staff. In addition to competitive remuneration packages, we offers staff valuable corporate and vocational development opportunities at every level. Examples of teaching aids used include Neuro-Linguistic Programming (NLP) and The 7 Habits of Highly Effective People. Strategic alignment workshops detailing our corporate vision, mission and values have also been arranged to bring our core team together in tailoring a robust strategy aimed at enhancing our performance. Compliance training in effective ongoing disclosure requirements and anti-money laundering practices has also been arranged for staff. To encourage staff well-being, we also structure workshops on topics such as superfood nutrition and tea appreciation. Employees are also encouraged to attend and speak at industry conferences and seminars

so that they can keep pace with changes in their professions and the business environment.

Our comprehensive performance appraisal system gives staff a regular dialogue mechanism via which they can provide feedback to their superiors, establish key annual objectives and determine their training and development needs. In 2017, 100% of eligible employees (i.e. those employed before August 1st) benefitted from such performance and career development reviews.

Labour Standards

Champion REIT has always done its utmost to comply with the Hong Kong Employment Ordinance and its comprehensive range of job protection and other employee benefits. Specific areas we cover towards this end include: wage protection, rest days, paid holidays and annual leave, sickness allowances, maternity protection, severance and long service

payments, employment protection, termination of employment contracts and protection against anti-union discrimination. As Champion REIT is a pure landlord and has no industrial or manufacturing operations, there are no potential issues involving child or forced labour.

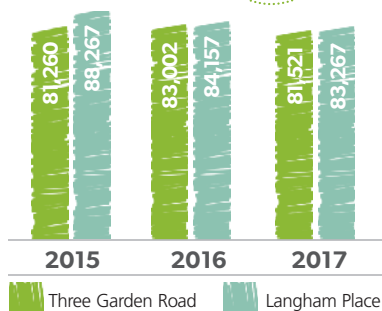
ENVIRONMENTAL PROTECTION

Enhanced Use of Resources

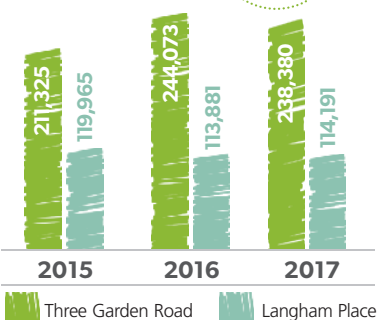
Energy efficiency is vital if we are to reduce emissions and conserve our world's limited resources. By striving for optimal energy efficiency, we will not only reduce our operating expenses but also help fight global warming. Large multi-storey glass curtain walls that provide natural lighting are an especially effective energy saving initiative we use in the atriums and lobbies of both of our flagship properties. Particularly noticeable at Langham Place, this feature enables tenants and visitors to look through the mall's nine-storey Mall atrium and see the neighbourhood buildings opposite.

Environmental and Social Review

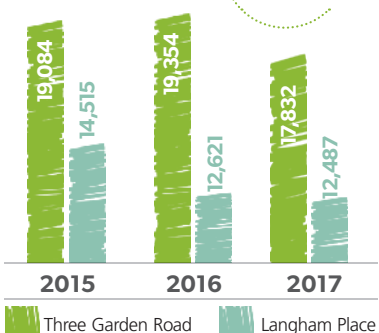
Energy Consumption (gigajoule)



Water Usage (cubic meter)



Carbon Emissions (ton CO₂ equivalent)



Both Three Garden Road and Langham Place also boast comprehensive ventilation and air-conditioning systems that integrate state-of-the-art floor-by-floor climate sensors. As a result, tenants can incrementally control their air-conditioning on an area-by-area basis and minimize wastage by simply deactivating the air-cons in unused areas. Both properties have also pledged their unwavering support for the Environment Bureau's "Energy Saving Charter on Indoor Temperature" scheme's aim of lowering air-conditioning energy consumption. The ultimate goal is to maintain an average interior temperature of between 24-26° C during June to September summer months.

At Langham Place Mall, low-energy LED luminaires with a longer lifespan have been retrofitted to upgrade the original Metal Halide Flood Lighting in its Grand and Mini Atrium area's Digital Sky. LED luminaires fitted with motion sensors have also been installed in shared areas such as staircases, corridors and lavatories. Also, solar panels were installed on the mall's rooftop to collect and transform solar energy into electricity that was used to supplement the property's daily needs.



Motion sensors for LED luminaires

To underline our enthusiastic support for the introduction of electric vehicles across Hong Kong, Electric Vehicle Recharging Stations have been installed at both of our flagship properties' car parks. The charging facilities at Langham Place were subsequently upgraded via the installation of semi-quick charging devices.

In 2017, Langham Place further reduced energy consumption by installing daylight sensors which automatically dim or deactivate all non-essential interior electric lights when sufficient natural light is entering the property. Carbon dioxide sensors have also been installed to reduce fresh air loads during summer so as to further reduce energy wastage. 2017 saw 1.4% decrease (to 164,788 gigajoules) in our properties' combined energy consumption. The property has also recently participated in Friends of the Earth's Power Smart Energy Saving Contest for 2017.

The installation of low-flow water faucets, is another way we are striving to minimize water usage, at both properties. At Three Garden Road we are even reusing water collected in an underground tank for irrigating the property's landscaped gardens. Results thus far have been encouraging, with 2017 alone seeing 1.5% decrease (to 352,571 cubic meter) of the combined water usage at both Champion REIT properties.

Emissions

As a “pure” landlord, Champion REIT has no manufacturing operations and neither produces or discharges any hazardous toxins or other harmful by-products. The only relevant emissions we do emit are those generated by our properties’ day-to-day operations. In 2017 our two properties’ estimated combined carbon emissions decreased by 5.2% to 30,319 tons of carbon dioxide. As well as direct emissions, this figure includes indirect emissions such as those resulting from electricity generated off-site.

The Environment and Natural Resources

The environmental management systems at both Three Garden Road and Langham Place are certified under ISO 14001. Our adherence to such strict benchmarks helps drive the progressive environmental protection policies which empower our commitment to increase recycling and reduce our properties’ environmental impact. Procedures designed to better administer and facilitate the separation and collection of office and retail waste for third-party recycling are already in place at both properties. Champion REIT tenants are, of course, warmly welcome to partner with us in enlarging the scale and efficacy of our recycling initiatives.



Hong Kong Green Awards – Gold

With a staggering 261 tons collected in 2017 alone, paper is by far the largest category of material we send for recycling. Other typical waste such as plastic bottles and leftovers from our food court is also collected and sent for reprocessing by the Environmental Protection Department and Green Council’s co-organized “Food Waste Recycling Partnership Scheme”.

In the area of forestry conservation, both of our key properties eagerly recycle Christmas and Peach Blossom trees and Chinese New Year plants via the Hong Kong Environmental Protection Association’s Wood Recycling & Tree Conservation Scheme. Festive flowers from Three Garden Road were donated to St. James’ Settlement’s senior citizen’s homes, while Chinese New Year arrangements from Langham

Place were shared with the Hong Kong Young Women’s Christian Association (YWCA). To support the Used Book Recycling Campaign, Three Garden Road collected and donated 224 used books to World Vision Hong Kong for charity sale during 2017.

To reduce internal paper wastage, Champion REIT promotes the use of electronic document files over hard copies. Externally, we encourage shareholders to specify whether or not they wish to receive physical copies of the Trust’s Interim and Annual reports each year. PDF versions of these financial reports have been downloadable from www.championreit.com since Champion REIT first listed in 2006.

Collected materials for recycling:

	2015	2016	2017
Waste Paper (kg)	310,559	276,980	260,785
Fluorescent Tubes (kg)	981	610	420
Plastic Bottles (kg)	968	778	284
Aluminium Cans (kg)	123	171	199
Reusable Batteries	301	390	296



Environmental and Social Review

Environmental Achievements

Both Three Garden Road and Langham Place have received multiple accolades for their tireless hard work on behalf of deserving green causes. Three Garden Road was recognized as a Hong Kong Green Organization by the Environmental Campaign Committee, while Langham Place won “Gold” in the Hong Kong Green Awards – Green Management Award 2017. The Environmental Protection Department of the Hong Kong Government has also certified both properties for the effectiveness of their Source Separation of Commercial and Industrial Waste and energy saving initiatives. Three Garden Road was also honoured with a “Good Level” certificate under the Energywise Certificate Scheme.

OPERATING PRACTICES

Product Responsibility

We continually strive to deliver top quality services to the tenants and shoppers who form our customer base. Adhering to stringent ISO 9001 Quality Management System benchmarks, our building management teams are subject to measures such as regular customer satisfaction monitoring. To this end, our building managers regularly distribute questionnaires to tenants to obtain their feedback. Tenants may also send suggestions or complaints to their building’s management via multiple channels and also contact the REIT Manager direct via our property-specific websites. Service quality management standards at Three Garden Road and Langham Place have both been certified by the Hong Kong Quality Assurance Agency.

Other measures aimed at further enhancing customer satisfaction levels at Langham Place include a “Care for People in Need” system providing especially attentive services to customers with special requirements. In 2017, Langham Place hosted several special training workshops to help our staff take better care of old folks, children, disabled individuals and pregnant women. To ensure a safer shopping environment for those at risk of falling or tripping, widened staircases were put into place at the property. Refurbishment work aimed at enhancing traffic safety was also carried out at various car park driveways.

In recognition of its ongoing efforts to assist the hearing-impaired and promote social integration, Langham Place was the proud recipient of Silence’s coveted Top 10 Social Inclusion Shopping Mall, Shopping Mall Supporting Facilities and Customer Service awards for 2017. Langham Place was also honoured with its sixth consecutive Enterprise Award from Hong Kong Star Brands in 2017 in recognition of its high quality.

Anti-Corruption

Champion REIT has always insisted upon the highest possible ethical standards with every one of our employees receiving a Code of Conduct to which they must adhere. Staff members are explicitly prohibited from soliciting, accepting or offering bribes or any other form of advantage. The awarding of new project and service contracts valued at HK\$100,000 or over is generally subject to the results of a tendering process. The main exceptions to this rule are utility providers and the rollover of existing service agreements. Quotations from multiple suppliers must also be obtained for all transactions with a value of over HK\$5,000. Trading in units of Champion REIT is strictly prohibited during blackout periods and in cases where staff possess financially sensitive information. Also, anti-money laundering and counter-terrorist financing procedures have been put in place in compliance with guidelines from the Securities and Futures Ordinance to achieve high ethical standards.



Staff training workshops for taking care of those in need

Supply Chain Management

Subject to the overall management and supervision of the REIT Manager, the Trust's managing of its properties is delegated to service providers such as Eagle Property Management (CP) Limited plus the relevant property and building managers. It is also essential that all of our main service providers have implemented similar or complementary policies and procedures regarding operating practices, workplace quality and environmental protection.

We also strive to enhance safety awareness amongst our service providers. Regarding the escalator incident happened at Langham Place Mall in March 2017, Electrical and Mechanical Services Department has released the investigation report which confirmed that one registered engineer and one registered worker had failed to carry out their duties. In the immediate aftermath, our teams have supervised the escalator service provider to expedite resumption and to ensure the safety of contingency operations. We have managed the incident effectively that contributed to the smooth operation of Langham Place. We will continue to closely monitor our service providers to maintain a high safety standard.

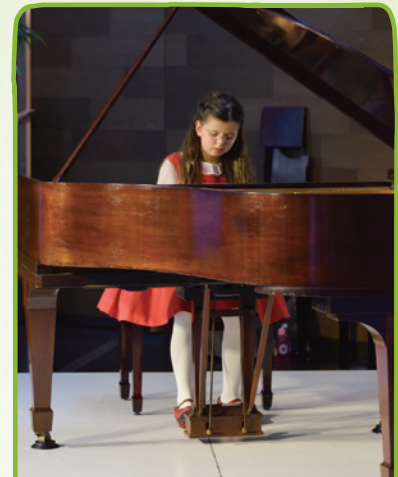
COMMUNITY INVOLVEMENT

Community Investment

Champion REIT's community involvement is focused on three strategic areas: the Arts, Children's Education and the Environment. Based on these themes, we partner with non-profit organizations and offer our properties free of charge for use as venues for various deserving fund-and awareness-raising projects.

A keen patron of the Arts, Champion REIT also sponsors the Musica del Cuore (Italian for "Music of the Heart") concert series at Three Garden Road. Every Friday evening the property's upper ground floor lobby is transformed into a community concert stage which showcases some finest classical musicians. To date, many well-established solo artists and chamber groups have benefitted from displaying their musicianship on our stage. Visiting guest performers from other parts of the world have also inspired local music lovers through cultural exchange.

In terms of the environment, 2017 saw both of our key properties support the WWF's (World Wide



2017 marked the second year acclaimed 10-year old classical pianist Brigitta Tellvik performed at Musica del Cuore: "This time around, I felt even more confident in sharing my music with a 100-strong audience."

Brigitta Tellvik
Classical pianist



Participated in Lamma Treasure Hunt event contributing to community sustainability

Environmental and Social Review

Fund's) "Earth Hour 2017" global anti-climate change initiative by switching off all non-essential lights for one hour.

In the area of children's education, the Trust is supporting children's learning by collaborating with the Hans Andersen Club and providing creative and professional storytelling services for underprivileged youngsters. A Trust-sponsored Lamma Treasure Hunt aimed at strengthening links between children and old folk is another way we have recently contributed to community sustainability. In addition to making donations, our staff have also transformed themselves into an Ocean Rescue Team and performed a creative drama that taught eco-friendly concepts to local children. Interesting games and crafts were prepared to educate kids about environmental protection concepts and special story books were donated to Hans Andersen Club to encourage reading.

Given the overwhelming response it received for its efforts in 2016, Langham Place Mall partner with the Cream Brother Foundation

Ltd. charity foundation for a second consecutive year in 2017. Working closely with associates of the Territory's most famous cat, the property organized a canned food donation program for stray felines as part of its "Share Your #HappyMEOWment" summer campaign. Over 3,200 cans of cat food were subsequently donated to the HK Saving Cat and Dog Association by local animal lovers. This total greatly exceeded the original target, of 2,000 cans.

Throughout the year, Langham Place also sponsored free airtime on the giant LED TV at its Grand Atrium for broadcasting promotional videos. The many charitable organizations who benefitted included WWF Earth Hour, Ronald McDonald House, Hong Kong Hereditary Breast Cancer Family Registry, Médecins Sans Frontière, Green Council and the World Green Organisation.

Sponsoring the venue for the Green Council for Hong Kong's Green Day was one of several ways Langham Place did its bit for environmental conservation. A series of public awareness events were then used to

encourage Hongkongers to reduce food waste when dining out. Other ways Langham Place delivered on its environmental commitment included donating its LIVE Stage so the World Green Organization's WGO Green WALK Hong Kong 2017's could encourage people to switch to low-carbon lifestyle habits such as walking short distances instead of taking cabs. LIVE Stage also sponsored Radio Television Hong Kong's (RTHK's) Community Involvement Broadcasting Service Festival and helped inspire ethnic communities to enhance mutual understanding by broadcasting their own radio programmes in their own languages. During Christmas 2017, Langham Place also sponsored the venue and provided technical support that helped the Child Development Matching Fund's annual Carol Singing Festival raise funds in support of deprived teenagers.

In addition to donations, we have also collaborated with City University of Hong Kong (CityU) in giving students a valuable taste of the real business world. Participating students were subsequently provided

"We are grateful by the inspiring way Champion REIT's CEO has got involved and lead her staff in supporting our voluntary work on behalf of children and communities in Hong Kong's outlying islands. Your people's participation underlines every individual volunteer's commitment to enthusiastically giving back to society. We warmly applaud you for all the love and care you have shared with us!"

May Wong
Executive Director of Hans Andersen Club



with guidance about how to conduct surveys and devise strategic marketing plans at Langham Place Mall.

We are highly concerned about the escalator incident of Langham Place Mall in March 2017. In response to the incident, we have offered timely assistance to the victims through granting ex-gratia allowances and following up on their insurance

claim. We will continue our efforts in providing a safe and inviting environment for shoppers and creating a lively ambience for the community.

As part of our commitment to the community, we have set aside portions of each property for public usage. In addition to providing more than 60,000 sq. ft. of floor space as a public thoroughfare,

Three Garden Road maintains two pedestrian bridges. Abutting the public thoroughfare, both bridges provide sheltered links stretching from Hong Kong Park to Central. Langham Place meanwhile provides a pedestrian system consisting of a bridge and underground tunnel that make it easy for pedestrians to safely walk from Mongkok MTR Station to Shanghai Street's community centre and minibus depot.



CityU students gained a valuable taste from the real business case

"We would like to thank Champion REIT for giving our students such invaluable guidance! Participants came away from the project having learned so much, I'm sure that their time with your people will prove to be very beneficial in their later careers."

Dr. Alvin Leung
Associate Professor, CityU

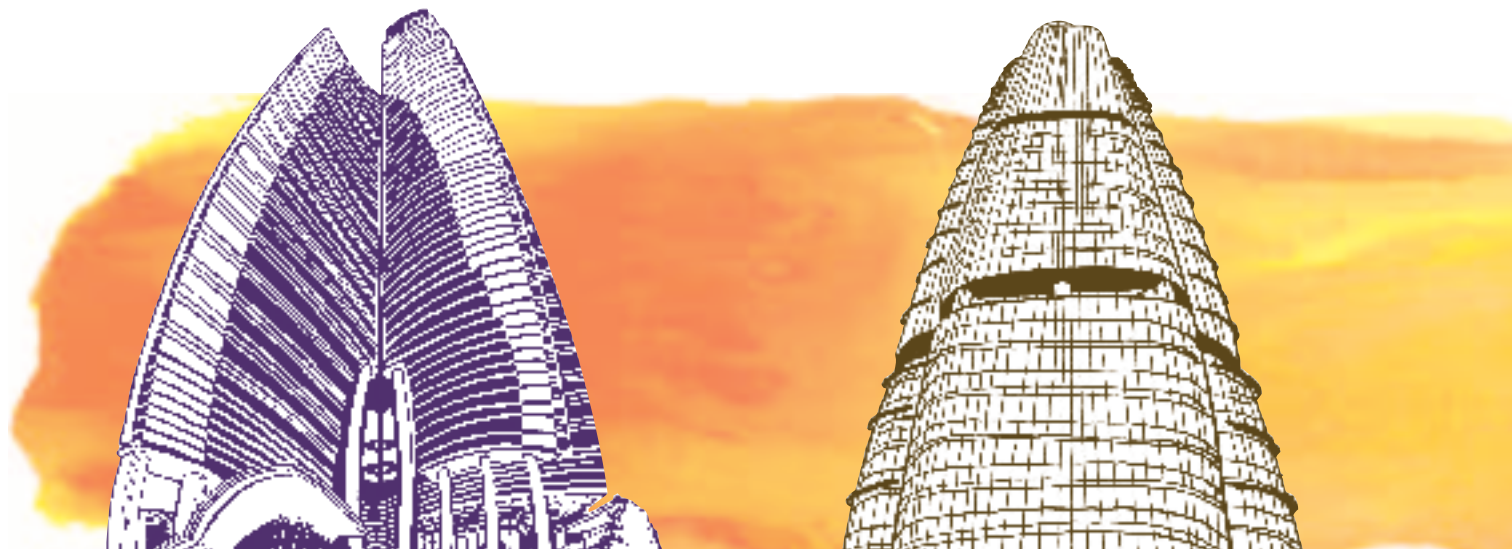
"I am privileged to have joined a project that has enabled participants to gain practical workplace experience of working with actual clients. Communicating with business contacts in real situations is ultimately very different from what we have learned in our classrooms."

Winnie Wong
student of CityU

"Being able to participate in the CityU Consultancy Project and work with Langham Place has been a fruitful experience for me. Not only have I gained a deeper understanding on the retail industry, but also got a platform to propose recommendation for the shopping mall."

Eric Cheung
student of CityU

Property Portfolio At-a-glance



THREE GARDEN ROAD

Three Garden Road is one of the largest Grade A commercial complexes in Hong Kong's Central district with a gross floor area of 1,638,000 sq. ft. It consists of a 47-storey and a 37-storey office tower linked through a podium. Both towers are intelligent buildings capable of meeting the demanding technical specifications of global financial institutions.

OFFICE PASSING RENT (HK\$ PSF)

DEC 2017	92.52
DEC 2016	78.20
DEC 2015	75.39

Tenant Profile as of 31 December 2017

- 35% Banking
- 32% Asset Management
- 2% Business Centre/ Co-working space
- 4% Legal
- 2% Medical
- 2% Consultancy
- 7% Corporate
- 5% Media
- 5% Others
- 6% Vacant



LANGHAM PLACE OFFICE TOWER

Langham Place Office Tower is a 703,000 gross sq. ft. 59-storey office tower located within the Langham Place mixed-use development. It is a Grade A office property in Mongkok, a major transport hub in Kowloon and a busy shopping district. The building focuses on tenants involved in the services and lifestyle industries.

PASSING RENT (HK\$ PSF)

DEC 2017	40.79
DEC 2016	39.66
DEC 2015	37.50

Tenant Profile as of 31 December 2017

- 42% Health Care & Beauty
- 10% Lifestyle
- 23% Merchandising & Trading
- 14% Professional & Sales Services
- 5% Medical Services
- 3% Others
- 3% Vacant





LANGHAM PLACE MALL

Langham Place Mall is a 15-level, 590,000 gross sq. ft. 'vertical' mall focusing on mid-priced trendy lifestyle, beauty products and food & beverage. It anchors the Langham Place development and offers a unique shopping experience through its distinct architectural features and its novel promotional events. The Mall has built its reputation as a trendy social and retail destination for young and fashion-conscious shoppers, and is popular among tourists.

PASSING RENT (HK\$ PSF)

DEC 2017	176.71
DEC 2016	178.74
DEC 2015	174.54

Tenant Profile as of 31 December 2017

- 40% Fashion, Sports & Accessories
- 22% Food & Beverage
- 10% Health & Beauty
- 13% Others
- 15% Entertainment



MAJOR TENANTS OF CHAMPION REIT

(in alphabetical order)

- Alliance Global Investors
- Beauty Avenue
- Blackrock
- Bloomberg
- Cinema City
- Citibank
- Dr Reborn & Union Medical Healthcare
- Industrial and Commercial Bank of China
- Neo Derm
- Pure Fitness & Pure Yoga

Value as at 31 December 2017

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

- **54%** THREE GARDEN ROAD OFFICE
1,579,900 sq. ft.
- **24%** LANGHAM PLACE OFFICE
702,900 sq. ft.
- **20%** LANGHAM PLACE MALL
589,800 sq. ft.
- **2%** THREE GARDEN ROAD RETAIL
57,700 sq. ft.



Three Garden Road

Three Garden Road

With a gross floor area of over 1.6 million sq. ft., Three Garden Road is one of the biggest office complexes in Hong Kong. The complex contains many distinct architectural features, such as the flexibility to join 26 floors of both towers to provide an enlarged floor plate of up to 34,000 sq. ft. This is the largest available floor plate in Central.



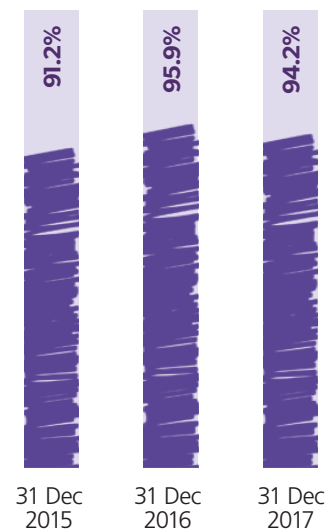
PRIME ASSET

Three Garden Road is a modern glass and steel office complex, which comprises Champion Tower and ICBC Tower, a retail podium, and a 3-level basement garage capable of accommodating 558 vehicles. The complex is located in the Central district of Hong Kong and is well connected by elevated walkway to the rest of Central. It is nestled within the traditional banking hub of Hong Kong, which also contains the headquarter buildings of all three of Hong Kong's currency issuing banks. After acquiring the last four floors it did not own in 2013, Champion REIT became, and is still, the owner of Three Garden Road in its entirety.

ARCHITECTURAL EXCELLENCE

With a gross floor area of over 1.6 million sq. ft., Three Garden Road is one of the biggest office complexes in Hong Kong, capable of serving a working population of over 10,000. The premium office complex is considered by many to be one of Central's iconic structures. Besides its two characteristic curved reflective facades, the complex contains many distinct architectural features, such as the flexibility to join 26 floors of both towers to provide an enlarged floor plate of up to 34,000 sq. ft. This is the largest available floor plate in Central. In recognition of excellence in the area of architectural design, Three Garden Road was awarded the Hong Kong Institute of Architects' highest award, the Silver Medal, when it was built.

OCCUPANCY RATE



Three Garden Road



customer experience. The relaxation and cardiovascular needs of the tenants are also an integral part of Three Garden Road's success formula. Three Garden Road is home to a health club occupying almost four floors of one tower. This health club features a gymnasium and a heated swimming pool among other exercise facilities. Tasteful greenery elements were introduced to the outdoor podium and other locations around the property.

PREMIUM GRADE A SPECIFICATIONS

Three Garden Road is the archetypal modern premium grade A office complex, replete with fiber-optic backbone wiring to facilitate inter-floor communications, raised flooring to facilitate cabling and flexibility in office configurations, a central computerized control center and a master satellite signal distribution system. Key among Three Garden Road's attributes is its ability to conform to the formidable specifications required by multinational financial institutions. These include security lift facilities for treasury items, high redundant power supply to floor space ratios, timely emergency power supply and more importantly, emergency chilled water facilities to data centres during power outages. It also operates an intelligent heat detection system, which can prevent the unintentional activation of sprinklers.

SUPERIOR TENANT EXPERIENCE

In addition to its prime location and premium specifications, the 'tenant experience' also plays an important role in attracting quality tenants to the property. Three Garden Road places great emphasis on the quality of facility management and

Three Garden Road places great emphasis on the **quality of facility management and customer experience**



Another amenity to tenants is the retail area in the lower lobby of the podium where tenants have access to a variety of food and beverage outlets. Additionally, an upscale shared workspace offers lunch and happy hour drinks and event space for tenants. Three Garden Road is also the venue for weekly classical musical performances, which are well received by tenants. All of these wellness amenities and services provide an environment for tenants to enjoy work-life balance.



Building Statistics

- **HK\$46.2 billion** Assessed Value
- Built in **1992**
- **205m** Tall, Highest Floor is 50
- **558** Vehicle Basement Garage
- **121** Tenants
- **1,638,000 sq. ft.** Gross Floor Area
- **1,225,000 sq. ft.** Lettable Office Area
- **43,000 sq. ft.** Lettable Retail Area
- **34,000 sq. ft.** Gross Floorplate

Features & Amenities

- | | |
|--------------------------------------|------------------------------|
| • 9 Emergency Generators (12,400kVA) | • Shuttle Bus Service |
| • 36 passenger lifts in 9 zones | • Internal Loading Dock |
| • Security Card Access | • 10-Storey Lobby Atrium |
| • Private Driveway | • HKIAQ Certification |
| • Private Taxi Stand | • Heated Swimming Pool |
| • Electric Vehicle Charging Stations | • OHSAS 18001 Certification |
| | • ISO 14001 Certification |
| | • 30,000 sq. ft. Health Club |



Langham Place

Langham Place

Office Tower is a modern 59-storey Grade A building that is the preferred corporate address in Mongkok. Langham Place Mall is a lifestyle urban mall with a design that matches the tastes of its target audience – young shoppers interested in the latest trends.



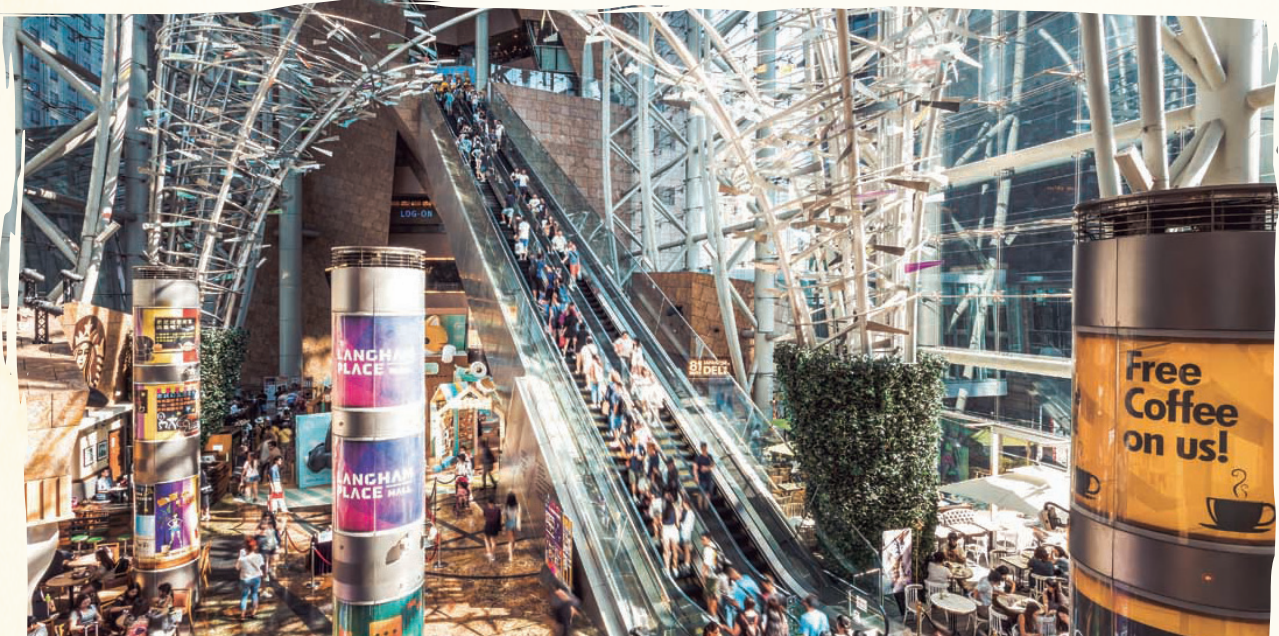
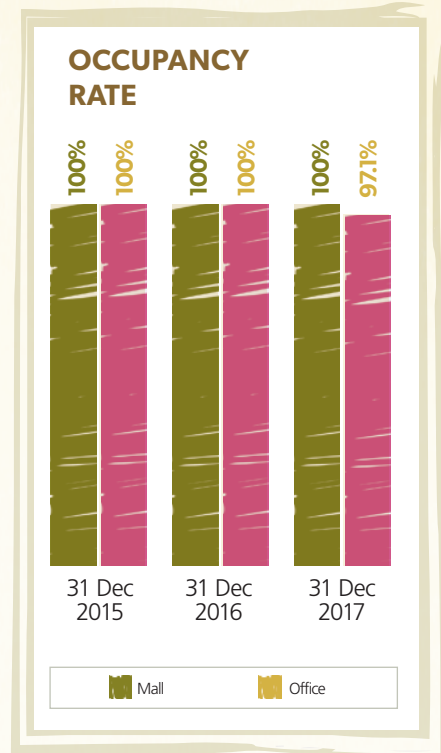
PREMIUM ASSET, PRIME LOCATION

Langham Place is an integrated commercial development, which comprises a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark and a 42-storey 5-star hotel. The project occupies two entire city blocks bordered by Argyle Street, Portland Street, Shantung Street and Reclamation Street. Completed in 2004, Langham Place immediately became a defining landmark of Mongkok, as well as a prime retail and commercial district of Kowloon and an important hub for Hong Kong's major public transportation networks. Langham Place is directly linked via a pedestrian tunnel to the Mongkok Interchange of the Mass Transit Railway. The portion of Langham Place that Champion REIT owns is the entire Langham Place Mall and carpark and all but 4 floors of the Langham Place Office Tower. In percentage terms, this is equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place.

POPULAR TRENDY MALL IN MONGKOK

The Langham Place Mall is a lifestyle urban mall targeting the tastes of young shoppers interested in the latest trends. Being one of the busiest malls in town, it boasts a vast array of retail options ranging from hip and trendy lifestyle, health and beauty, sportswear, fashion and accessories, with consistently high footfall reaching 200,000 to 350,000 per day.

As part of the shopping experience, the Mall also offers its shoppers a cineplex, a games arcade and more than 50 food and beverage outlets. Because of its immense popularity among teens and young adults, Langham Place Mall has been the venue of choice for fan and media events by both



Langham Place



local and foreign celebrities. The Mall is also popular with tourists from the Mainland as it is well known for its wide selection of cosmetics. Besides, the response to Cinema City Langham Place has been overwhelming since its opening in late 2014. Both box-office and admissions of the cinema also continued to rank No. 1 in Hong Kong in 2017.

The Langham Place Mall has several unique modern architectural and design features. Its distinctive multi-faceted façade of Fissured Brazilian Granite is immediately recognizable from the surrounding shopping district. Among its internal features are a Grand Atrium enclosed by 9-storey-high glass curtains showcasing the surrounding street-level activity and some of the world's longest indoor escalators. In the upper section of the Mall there is the iconic Spiral section leading up to an indoor bar and restaurant floor.



INNOVATIVE RETAIL EXPERIENCE

As a retail trend setter, Langham Place Mall strategically created new experiences to engage consumers. The mall has pioneered a hugely popular virtual reality promotion for Christmas 2017, partnering with a popular tenant LINE Friends. It has also produced Spiderman micro-movies which has gone viral on social media. In 2017, Langham Place Mall once again introduced several "firsts" in Hong Kong, such as YiFang Taiwan Fruit Tea and Taoyuan Village. LIVE stage on Level 12 remains a versatile platform for local singers and interactive events which create unique experience for shoppers.

MONGKOK'S LANDMARK OFFICE

Thanks to the prime location and top-quality construction and facilities, Langham Place Office Tower remains a preferred address for leading lifestyle tenants. This 255-meter skyscraper also benefits from the neighbouring Langham Place Mall and Cordis Hotel. As the building is conveniently located, it attracts tenants from lifestyle, healthcare and beauty sectors with synergistic connection to the Langham Place Mall. This modern

Langham Place Mall strategically created **new experiences to engage consumers**

59-storey Grade 'A' building is covered in distinctive reflective blue glass and topped off with a large colour-changing dome visible from as far away as Hong Kong Island at night and it boasts a sweeping panoramic view of the Kowloon skyline. The building also contains a 70,000 sq. ft. fitness and well-being centre, allowing visitors to enjoy a healthier lifestyle.



Building Statistics

- **HK\$30.5 billion** Assessed Value*
- Built in **2004**
- **255m** Tall, Highest Floor is 60
- **255** Vehicle Basement Garage
- **47** Office Tenants*
- **165** Retail Tenants
- **1,293,000** sq. ft. Gross Floor Area*
- **703,000** sq. ft. Gross Office Area*
- **17,400** sq. ft. Gross Office Floorplate
- **319,000** sq. ft. Lettable Retail Area

Features & Amenities

- | | |
|---------------------------|--------------------------------------|
| • 15-storey Shopping Mall | • Panoramic View of Kowloon |
| • Adjoining 5-star Hotel | • Electric Vehicle Charging Stations |
| • 1,100 Seat Cineplex | • Internal Loading Dock |
| • Over 50 F&B Outlets | • HKIAQ Certification |
| • Direct MTR Access | • OHSAS 18001 Certification |
| • 9-Storey Glass Atrium | • ISO 14001 Certification |
| | • 70,000 sq. ft. Fitness Centre |

* only Champion REIT's portion



Langham Place

WHAT'S BEEN

happening at the mall

Number of events:

 **200+**

Annual footfall:

 **95** million+

Social media reach:

 **59** million+

朗豪坊
LANGHAM
PLACE



1. Spider-Man: Homecoming Campaign

A series of cutting-edge experiential events were organised for the "Spider-Man: Homecoming" Campaign. Not only could shoppers take pictures with the life-sized Spider-Man statues, they could also transform into Spider-Man at the 360-degree photo booth. The Spider-Man micro-movies went viral on social media, generating 380,000 views. The campaign received over 300 pieces of coverage on traditional and social media channels, and clinched a Bronze Award in the Excellence in Mass Event of Marketing Magazine's Marketing Excellence Awards 2017.



2 LINE FRIENDS Christmas Planet



#LINEFRIENDS
#VRGames
#Planet
#Christmas



3 LEGO® x Disney Beauty and the Beast Exhibition



#BeautyandtheBeast
#KevinHall
#LEGO
#LimitedEdition



2. LINE FRIENDS Christmas Planet

Langham Place added a shine to the Christmas season by collaborating with its popular tenant LINE Friends again to create a Christmas Planet. Shoppers could design their own planet, enjoy the virtual reality (VR) boat trip with the character BROWN and enjoy the Save the Earth game. The event became a hotspot during the year-end holidays.

3. LEGO® x Disney Beauty and the Beast Exhibition

Collaborating with LEGO® for the second time, Langham Place invited the LEGO® brick artist from the United Kingdom, Kevin Hall, to stage the first Asian exhibition for the iconic Beauty and the Beast's castle made from 500,000 LEGO® bricks, bringing the fantasy romance to life. Together with the the best-selling limited-edition merchandises, the event was extremely well received by shoppers.

Langham Place



I ♥ SHOPPING

4. Summer Campaign: #HappyMEOWment Photo Gallery

Summer saw the Mall transformed into a kitty wonderland again. Neko Break Exhibition, which toured many cities in Japan, staged its first overseas exhibition in Langham Place. Encompassing various photo spots, interactive feeding games and book signing activities, the exhibition became a paradise for cat lovers.

5. Toys TV Live Show

In addition to hosting music performances at the LIVE Stage, we also host various up-and-coming entertaining events there. Toys TV Live Show was featured to introduce hottest toys and gadgets which could be bought at Langham Place. Gifts were also given away to shoppers on site.

6. Lunar New Year Mahjong Carnival

Mahjong Carnival was featured to celebrate the Year of the Rooster with shoppers. Specially designed Mahjong-themed interactive games, creative photo spots and special-designed premiums for customers to enjoy an exciting Chinese new year family gala in Langham Place.



7. Hi-C Lemon Tea Nostalgic Campaign

Hi-C Lemon Tea promoted its popular vintage packaging by setting up an interactive photo-taking machine at the Mall. Participating shoppers were rewarded with a pack of Hi-C Lemon Tea for free. Shoppers could also redeem vintage travel bags upon spending designated amounts. The campaign triggered fond memories of many customers.

8. Black & White® Hong Kong Milk Tea Day

The classic local Black & White® brand collaborated with the designer brand Chocolate Rain to host The Hong Kong Milk Tea Day and to create the first-ever Black & White® traditional cafe in the Atrium. Apart from the one-month free milk tea redemption, the event encompassed an interactive 180 degree photo booth where shoppers could create fun and exciting videos and share online.

Valuation Report



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5 February 2018

Eagle Asset Management (CP) Limited
Suite 3008, 30/F, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
(the Manager for Champion Real Estate Investment Trust "Champion REIT")

HSBC Institutional Trust Services (Asia) Limited
17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road, Kowloon
Hong Kong
(the Trustee for Champion REIT)

Dear Sirs

(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street, (2) Retail Block, Langham Place, 8 Argyle Street, (3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon (the "Property")

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2017 (referred to as the "Valuation Date") for reporting purposes.

Basis of Valuation

In arriving at our opinion of a market value, we followed “The HKIS Valuation Standards 2017” issued by The Hong Kong Institute of Surveyors (“HKIS”) and “The RICS Valuation – Global Standards 2017” issued by The Royal Institute of Chartered Surveyors (“RICS”). Under the said standards, market value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable in the market on the valuation date by the seller and the most advantageous price reasonably obtainable in the market on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2017” issued by HKIS and “The RICS Valuation – Global Standards 2017” issued by RICS.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts published by The Securities and Futures Commission and “The HKIS Valuation Standards 2017” issued by HKIS and “The RICS Valuation – Global Standards 2017” issued by RICS.

Valuation Methodologies

We have valued the Property subject to its existing tenancies. In undertaking our valuation of the Property, Income Approach and Market Approach are adopted. Income Approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the Property’s type of use, building age and condition. In the course of our valuation, we have assumed that no significant capital expenditure by the owner of the Property will be required in the foreseeable future. Apart from Income Approach, Market Approach is adopted for cross-referencing purpose.

Income Approach – Term and Reversion Method

The existing net rental income, i.e. rent exclusive of rates, management fees, air-conditioning charges and other tenants’ outgoings, of all lettable space of a property, is capitalized in respect of the unexpired term of each contractual tenancy. Upon reversion, i.e. the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the Valuation Date in turn capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of a property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred. The capitalization rate adopted is made by reference to the yield achieved in analysed market sales of retail space/office spaces and our knowledge of the market. This expected rate of return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like. Our adopted capitalization rate for the retail and office accommodations is 3.75% and 4.00% respectively.

Valuation Report

Market Approach – Comparable Transactions Method

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

As there were limited en-bloc/bulk transactions for comparison in our valuation, we have also made reference to transactions of strata-titled properties in the vicinity. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Approach.

Valuation Assumptions and Considerations

Our valuation is subject to the following assumptions and considerations.

We have taken reasonable care to investigate the title of the Property by obtaining the sample land search records from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

We have relied to a very considerable extent on information given by the Manager and have accepted advice given to us on such matters as, if any, planning approvals or statutory notices, easements, tenure, occupancy, incomes, carpark numbers, floor areas and all other relevant matters. We have not verified the information provided to us and have assumed that they are correct. We do not undertake to certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. We were also advised by you that no material facts have been omitted from the information provided. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

As instructed, we have relied upon carpark numbers as advised by the instructing party. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.

We have assumed that the Property valued had been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

We inspected the exterior and where available, portion of the interior of the Property on 3 January 2018 without any structural or building survey. The inspection of the Property was undertaken by Mr Kenneth Lok, Manager of the Valuation and Consultancy Department. Nevertheless, we have assumed in our valuation that the Property was in satisfactory exterior and interior decorative order without any unauthorized extensions or structural alterations as at the Valuation Date.

In valuing the Property, we have made reference to the relevant transactions and market conditions as at the Valuation Date. The value of the Property may be affected in a volatile market conditions. Unless otherwise stated, we assumed that the Property is free from encumbrances, restrictions, incidents and outgoings of any onerous nature which could affect its value.

Limiting Conditions

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Thomas Lam

FRICS FHKIS RPS(GP) RICS Registered Valuer

Senior Director, Head of Valuation & Consultancy

Note: Thomas Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific region.

Valuation Report

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017	Estimated Net Property Yield
(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street, (2) Retail Block, Langham Place, 8 Argyle Street, (3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon	Langham Place is a retail/office/hotel/carpark complex erected on two rectangular sites, separated by Shanghai Street, having a total registered site area of about 11,976 sq m (128,910 sq ft). The development was completed in 2004.	With exception of 1,871.89 sq m (20,149 sq ft) was vacant, the office portion of the Property was let under various tenancies mostly for terms of two or three years with the latest expiry date in March 2023 yielding a total monthly rental of approximately HK\$28.42 million exclusive of rates, management fees and air-conditioning charges. A number of tenancies contain options to renew for further terms at the then prevailing market rents.	HK\$30,543,000,000 (Hong Kong Dollars Thirty Billion Five Hundred and Forty Three Million)	3.9%
1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No 11099.	Currently standing on the eastern site is a 59-level tower (comprising 46 levels of office, four levels of shop, five mechanical floors, two refuge floors and two roof floors) and a 15-storey retail building (including two basement levels) erected over three levels of basement carpark.	The retail portion of the Property was let under various tenancies mostly for terms of two or three years with the latest expiry date in July 2024 yielding a total monthly basic rent of approximately HK\$57.15 million exclusive of rates, management fees and air-conditioning charges. Most of the tenancies are subject to turnover rents. The average monthly turnover rent receivable during the period from December 2016 to November 2017 was about HK\$9.16 million.		
	Two covered footbridges and an underground vehicle tunnel across Shanghai Street are constructed to inter-connect the development between the two separate sites.			

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017	Estimated Net Property Yield
	The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq m (702,911 sq ft). The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq m (589,844 sq ft) and a Gross Rentable Area of approximately 29,648.18 sq m (319,133 sq ft). The Property also comprises a carpark at the basement levels, 8 Argyle Street, and 555 and 557 Shanghai Street accommodating a total of 250 car parking spaces. Kowloon Inland Lot No 11099 is held from the Government under Conditions of Exchange No UB12557 for a term from 18 February 2000 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.	The occupancy rates of the office and retail portions were approximately 97.1% and 100% respectively. The carpark was operated as a fee-paying public carpark let on monthly and hourly bases. The average monthly gross income receivable during the period from December 2016 to November 2017 was approximately HK\$2.04 million. Miscellaneous income was generated from lightboxes, signage spaces and other miscellaneous items yielding an average monthly licence fee of approximately HK\$1.45 million.		

Valuation Report

- Notes:
- (1) The registered owner of the Property was Benington Limited as at the Valuation Date.
 - (2) The Property also comprises the Reserved Area defined in the Deed of Mutual Covenant and Management Agreement dated 27 June 2005 as those parts of the Development not specifically included in the Government Accommodation or any Component, the Development CAF or HB/Retail CAF (all terms as defined in the said Deed of Mutual Covenant and Management Agreement) and reserved for the exclusive use and enjoyment of Benington Limited.
 - (3) For the office portion of the Property, the Gross Rentable Area is equal to the Total Floor Area.
 - (4) The Property lay within an area zoned "Commercial (2)" under the draft Mong Kok (KPA 3) Outline Zoning Plan No S/K3/30 exhibited on 31 May 2013 as at the Valuation Date.
 - (5) The rentals reported herein are the total of the face rentals without taking into account of any rent free periods or the turnover rents received, if any.
 - (6) The breakdown market values in respect of different portion of the Property is set out below:

Use	Market Value as at 31 December 2017
Retail :	HK\$20,510,000,000
Office :	HK\$9,450,000,000
Carpark :	HK\$365,000,000
Miscellaneous :	HK\$218,000,000
Total	HK\$30,543,000,000

- (7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2017 is set out below:-

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	682,762	97.1
Vacant	20,149	2.9
Total	702,911	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	* # Monthly Rental (HK\$)	% of total	No of Tenancy	% of total
2013	18,773	2.8	\$760,068	2.7	2	3.1
2014	120,445	17.6	\$5,019,689	17.6	7	10.9
2015	78,662	11.5	\$3,183,927	11.2	12	18.8
2016	307,633	45.1	\$12,638,932	44.5	23	35.9
2017	157,249	23.0	\$6,813,658	24.0	20	31.3
Total	682,762	100	\$28,416,274	100	64	100

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	* # Monthly Rental (HK\$)	% of total	No of Tenancy	% of total
2018	98,991	14.5	\$3,926,388	13.8	15	23.4
2019	309,889	45.4	\$12,742,063	44.9	24	37.5
2020	167,850	24.6	\$7,409,396	26.1	18	28.1
2021	33,669	4.9	\$1,432,823	5.0	4	6.3
2022	69,592	10.2	\$2,783,680	9.8	2	3.1
2023	2,771	0.4	\$121,924	0.4	1	1.6
Total	682,762	100	\$28,416,274	100	64	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	* # Monthly Rental (HK\$)	% of total	No of Tenancy	% of total
2	1,556	0.2	\$60,684	0.2	1	1.6
3	435,956	63.8	\$18,150,417	63.9	47	73.4
4	17,398	2.6	\$704,619	2.5	1	1.5
5	114,123	16.7	\$4,790,961	16.8	11	17.2
6	96,331	14.1	\$4,013,674	14.1	3	4.7
7	17,398	2.6	\$695,920	2.5	1	1.6
Total	682,762	100	\$28,416,274	100	64	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile of office portion excludes four renewal tenancies for terms of one year to three years commencing in between February 2018 and November 2018.

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding the licensed miscellaneous premises) as at 31 December 2017 is set out below:–

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	319,107	99.99
Landlord Occupied	26	0.01
Vacant	0	0.00
Total	319,133	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Basic # Rental (HK\$)	% of total	No of Tenancy	% of total
2013	36,981	11.6	\$9,889,114	17.3	6	3.0
2014	65,097	20.4	\$6,783,974	11.9	6	3.0
2015	58,387	18.3	\$9,630,540	16.8	45	22.6
2016	86,042	27.0	\$18,173,914	31.8	79	39.7
2017	72,600	22.7	\$12,669,992	22.2	63	31.7
Total	319,107	100	\$57,147,534	100	199	100

Valuation Report

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Basic # Rental (HK\$)	% of total	No of Tenancy	% of total
2018	89,387	28.0	\$19,811,809	34.7	68	34.2
2019	100,181	31.4	\$17,909,433	31.3	85	42.7
2020	47,229	14.8	\$8,687,683	15.2	32	16.1
2021	19,917	6.3	\$2,247,248	3.9	10	5.0
2022	17,653	5.5	\$3,362,190	5.9	3	1.5
2024	44,740	14.0	\$5,129,172	9.0	1	0.5
Total	319,107	100	\$57,147,534	100	199	100

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Basic # Rental (HK\$)	% of total	No of Tenancy	% of total
1	1,919	0.6	\$153,820	0.3	4	2.0
2	24,097	7.6	\$4,319,274	7.6	41	20.6
3	125,810	39.4	\$26,440,833	46.2	121	60.8
4	37,899	11.9	\$5,599,741	9.8	14	7.0
5	79,163	24.8	\$14,936,539	26.1	16	8.1
6	5,479	1.7	\$568,156	1.0	2	1.0
10	44,740	14.0	\$5,129,172	9.0	1	0.5
Total	319,107	100	\$57,147,534	100	199	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the basic rent for the current term of the tenancy

Note: The above tenancy profile of retail portion excludes five renewal tenancies for terms of approximately two years to three years commencing in between March 2018 and September 2018 and seven committed new lettings for terms of approximately two years to four years commencing in between March 2018 and April 2018.

Office Market Overview

OFFICE DEMAND

As one of the major global financial centres, Hong Kong is the preferred location for many international corporations setting up regional offices in Asia. The Central Business District ("CBD") in Hong Kong includes Central on the Hong Kong Island. Other major business districts include Sheung Wan, Wan Chai and Causeway Bay on Hong Kong Island, Tsim Sha Tsui in Kowloon, as well as decentralised areas namely Quarry Bay and North Point on Hong Kong Island. With limited availability in the central areas and the expansion of transport infrastructure, recent years have seen a rapid decentralisation of office space and the growth of new alternative office hubs such as Kowloon East¹ and Yau Ma Tei/Mong Kok in Kowloon as well as Kwai Tsing and Tsuen Wan in the New Territories.

OFFICE STOCK²

Hong Kong has seen a slightly slower growth in office stock over the last five years. According to the Rating and Valuation Department, Hong Kong's total office stock grew 6% between 2012 and 2016. This compares with the 7% growth in total office stock between 2007 and 2011.

¹ Kowloon East refers to Kwun Tong and Kowloon City.

² All areas are Internal Floor Area (IFA) unless otherwise stated.

As of November 2017, Grade A office space (79.6 million sq ft) represented approximately 64% of all office stock, while the remaining 36% was Grades B and C space. The share of Grade A office space is expected to remain the same by the end of 2017.

Yau Ma Tei/Mong Kok is one of the favourite office locations for trading, consumer goods and insurance companies. Yau Ma Tei/Mong Kok is expected to represent approximately 7% of total office stock of all grades (9.2 million sq ft) and 4% of the total stock of Grade A offices (3.6 million sq ft) in 2017. Yau Ma Tei/Mong Kok, together with the other decentralised office areas including North Point, Quarry Bay on the Hong Kong Island, Kowloon East in Kowloon, Kwai Tsing and Tsuen Wan in the New Territories, are expected to represent around 35% of total Grade A office stock by the end of 2017.

RENTAL TRENDS

Hong Kong's Grade A office rents generally on the uptrend in the last five years (2012 to 2016), shrugged off the negative effects from the global financial crisis in late 2008 to 2009. According to the Rating and Valuation Department, the average Grade A office rent rose by around 21% from 2012 to 2016, representing a 5% Compound Annual Growth Rate (CAGR) in the period³. A rise of around 8% was noted in Yau Ma Tei/Mong Kok from 2012 to 2016, representing a CAGR of about 2%⁴.

In the first eleven months of 2017, Grade A office rents continue to trend up. The average Grade A office rent rose a further 5% from the end of 2016, while rents in Yau Ma Tei/Mong Kok recorded a 10% increase in the same period on the back of strong office demand in the corporate sector⁴.

PRICE TRENDS

In line with the office rental trend, office price was generally on an uptrend in the last five years (2012 to 2016). According to the Rating and Valuation Department, average Grade A office price in Hong Kong rose 18% from 2012 to 2013. In 2014, on the back of slowed Grade A office sales due to a series of cooling measures including the Double Stamp Duty (DSD) and the lowering of the maximum mortgage loan-to-value ratio for commercial properties, average Grade A office price in Hong Kong drop 1% in the year.

As Mainland Chinese financial institutions push on plans to expand their physical footprint in Hong Kong's prime business districts, while Grade A office rental resumed positive growth, these in turn support capital appreciation and increases investors' focus on the office sales market.

In the first eleven months of 2017, Grade A office price surged another 19% after growing a total 7% in 2015 and 2016, according to Rating and Valuation Department.

In line with the office sales market, land sale market in Hong Kong has been robust so far in 2017, with land price consistently breaking market records. For instance, the Murray Road Carpark site was sold for HK\$23.28 billion, representing an accommodation value of HK\$50,065 per sq ft. This sets a new record-high in Hong Kong in terms of commercial land price. This also highlights the robust sentiment of Hong Kong's land market in the year.

3 Rating and Valuation Department figures

4 Knight Frank estimates

Valuation Report

SUPPLY⁵

Hong Kong's Grade A office supply trend down over the last ten years (2007 to 2016), due to a general lack of sites in core office locations. Grade A office supply averaged about 1.2 million sq ft per annum in the last five years (2012 to 2016), 42% lower than the average 2.1 million sq ft supply per annum in the period of 2007 to 2011. Supply is expected to increase in 2017 to 2.7 million sq ft, mainly attribute to the completion spree in Kowloon East area. Meanwhile, Grade A office supply in Yau Ma Tei/Mong Kok area saw no significant supply during the period of 2012 to 2016 after the period between 2007 to 2011 when annual average supply stood at 340,400 sq ft. No major Grade A office supply is also expected in 2017 in the district.

Hong Kong is likely to see an increase in office supply from 2018 to 2022. New Grade A office supply is projected to reach a total of 7.9 million sq ft, representing an annual average of approximately 1.6 million sq ft. This compares with the average supply of 1.2 million sq ft per annum from 2012 to 2016. While office take-up varies with market conditions and business environment every year, the future office supply level is still expected to be below the annual average take-up of about 1.8 million sq ft per annum over the last 20 years (1997 to 2016).

Analysing the future supply by districts, it is worth noting that most of the future supply will be located outside the core business districts in Hong Kong, namely Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui districts. These districts will represent about 31% of the total supply in the coming five years (2018 to 2022).

Earmarked by the Government as the new Central Business District ("CBD2"), the Kowloon East area, which covers Kwun Tong and Kowloon City, will be the area with the largest office supply. The area is expected to add about 3.2 million sq ft or 41% to the total new office supply of Hong Kong between 2018 and 2022. Notably, no new supply will be in Yau Ma Tei/Mong Kok.

VACANCY⁶

Demand for office space in Hong Kong has remained resilient in the past despite a number of economic downturns. Net office take-up continued to remain positive in 2016. Meanwhile, average Grade A office vacancy rate in Hong Kong was stable in 2016, showing no major signs of downturn in office space absorption.

Supported by steady office demand, Grade A office vacancy in Hong Kong remained stable in 2016 and the first eleven months of 2017. The average Grade A office vacancy rate dropped to about 2.4% in 2015 from 3.4% in 2014, and remained at about 2.3% in 2016.

In 2017, Grade A office vacancy rate averaged 3.6% due to a number of major new office completions in Kowloon East.

Driven by decentralisation trend, Grade A office vacancy rate remained at relatively low levels in decentralised areas. In 2017, Grade A office the vacancy rates in North Point/Quarry Bay remained stable at about 2.2%. Despite a surge in new supply in recent years, Kowloon East maintained a respectable 8.8% average vacancy over the same period. Meanwhile in Yau Ma Tei/Mong Kok, Grade A office vacancy rate remained at approximately 2% in 2017.

⁵ All areas are Internal Floor Area (IFA) unless otherwise stated

⁶ Knight Frank estimates

OUTLOOK

In general, office demand in Hong Kong is likely to remain firm, notwithstanding any major economic downturn. Demand from Chinese firms is set to remain strong as they continue to seek quality office space in Hong Kong. The lack of available office space and the high rentals in core business districts are expected to drive the decentralisation trend in the next few years.

Over a longer term, Hong Kong is expected to see improvements in the market fundamentals – infrastructures in the coming years. Government investments in future infrastructure, including the addition of more mass rapid transit lines such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Shatin-to-Central Link and Three-runway System Development of HKIA will continue to bode well for Hong Kong's long-term business opportunity growth.

Coupled with the limited future office supply particularly in the core business districts, an expected decentralisation trend, an improving trading sector, as well as no upcoming new office supply in the Mong Kok area, both rents and values should be well supported.

Retail Market Overview

RETAIL STOCK

Attracting some 50 million visitors a year, Hong Kong is one of the world's top shopping destinations, housing a high representation of luxury and mid-end retailers. By the end of 2017, Hong Kong is expected to have a total of approximately 121 million sq ft of private commercial stock⁷. Approximately 41% of private retail stock is expected to be in Kowloon while Hong Kong Island and the New Territories each to represent around 29% and 30% of the total commercial stock in the city respectively.

The total stock of private commercial premises in Hong Kong saw only small increase in the past five years. While stock went up by 3% between 2007 and 2011, the increase slowed to a mere 2% in the period of 2012 to 2016. Per capita stock⁸ therefore fell to about 16.2 sq ft per person in 2016 from 16.3 sq ft per person in 2012, compares with 16.2 sq ft per person in 2006. Total stock is expected to increase 1% by the end of 2017, pushing up per capita stock to about 16.4 sq ft per person.

As one of the most popular shopping and entertainment spot for both visitors and locals in Hong Kong, Yau Tsim Mong (which includes Tsim Sha Tsui, Yau Ma Tei and Mong Kok Districts) concentrates a number of major shopping malls, including Harbour City in Tsim Sha Tsui and Langham Place in Mong Kok. In addition, Mong Kok is a retail spot particularly popular among local youngsters, characterised by a balanced mix of street shop clusters catering for both visitors and locals. By the end of 2017, total private commercial stock in the Yau Tsim Mong area is expected to amount to 22.8 million sq ft, representing 46% of total stock in Kowloon and 19% of the total in Hong Kong.

⁷ According to the Rating and Valuation Department, private commercial premises include retail premises such as shopping malls and street shops, as well as other premises designed or adopted for commercial use, with the exception of purpose-built offices

⁸ The figure derives from total year-end private commercial stock divided by total year-end population

Valuation Report

RENTAL TRENDS⁹

Hong Kong's average retail rents largely maintained a steady growth from 2012 to 2013 on the back of strong retail sales growth in the city. Average retail rents recorded a 9% growth in the period, while retail sales saw a 11% growth.

Retail rental growth slowed in 2014 and 2015 amid a softened retail sales growth. The growth in average retail rents slowed to an average 5% in the period. Rents fell 2% in 2016 on the back of sustained retail sales correction and the resulting softened retail demand from luxury retailers for prime street shop locations.

The market appears to have bottomed in 2017. In the first eleven months of the year, while retail sales resumed growth on a year-on-year basis, rental rates edged up 1% from the end of 2016. Rental trend is generally resilient in view of the steady domestic spending in Hong Kong on the back of a stable employment market. Prime shopping malls maintained positive rental growth and outpaced the general market, while rental decline of prime street-shops has also shrunk to about 10% in 2017, compared with 20% slump in 2016¹⁰.

PRICE TRENDS⁹

Average retail price in Hong Kong saw a surge after the Global Financial Crisis amid a positive retail market sentiment and an influx of mainland visitors. Private retail prices rose 21% from 2012 to 2013, a rate much faster than the growth in average private retail rents over the same period.

Investment sentiment in the private retail properties was cooled in 2014 in light of the softened retail market and the resulting slowed retail rental growth. After seeing a 10% growth in 2014 and 2015, price saw a dip of 6% in 2016. Average retail price resumed growth in the first eleven months of 2017, rising about 6% from the end of 2016.

SUPPLY¹¹

Hong Kong's supply of private retail stock has increased in the last five years (2012 to 2016). Completion averaged about 811,606 sq ft per annum, compared with the 619,576-sq-ft average in the period of 2007 to 2011. Completion is expected to go up to about 1.4 million in 2017.

Looking forward, supply is expected to increase in the coming five years (2018 to 2022). About 1.1 million sq ft of private retail supply is expected per year between 2018 and 2022, with the highest proportion of new centres located in New Territories, representing approximately 51% of total future supply¹².

Major private retail properties that are to be completed in 2017 are located in New Territories and are generally not large in scale with Gross Floor Area (GFA) less than 400,000 sq ft, compared with the major shopping centres completed in the recent years such as Hysan Place (400,000 sq ft) in Causeway Bay and Popcorn (431,000 sq ft) in Tseung Kwan O which were completed in 2012, as well as Domain (484,000 sq ft) in 2011.

Notable private retail project in the pipeline include the New World Centre redevelopment and 15 Middle Road development in Tsim Sha Tsui, which is expected to be completed by 2018 and 2019 respectively, totalling about 1 million sq ft of space.

9 Rating and Valuation Department figures

10 Knight Frank estimates

11 All areas are Internal Floor Area (IFA) unless otherwise stated

12 Knight Frank estimates

TAKE-UP AND VACANCY¹³

Take-up was largely positive over the last ten years (2007 to 2016), averaging 513,400 sq ft per annum. Meanwhile, the vacancy rate averaged approximately 8% over the same period. Average take-up showed a downward trend in recent years, dropping from an average 736,300 sq ft per annum in the period of 2007 to 2011 to an average 290,600 sq ft in the period of 2012 to 2016. This could be attributed to the falling supply levels and a softened retail market in the city in recent years.

Meanwhile, amid a steady retail demand, average vacancy rate of private retail premises generally remained stable over the last ten years (2007 to 2016), dropping from an average 8.3% in the period of 2007 to 2011 to an average 7.6% in the period of 2012 to 2016. A softened retail market sentiment had slightly pushed up vacancy rate to 9% in 2016 from 8% in 2015. Vacancy rate is expected to remain stable for 2017 on the back of the recovering retail demand.

OUTLOOK

The retail market in Hong Kong appears to be shrugging off the negative sentiment over the past three years, with both retail sales, overall retail property price and rents stabilising in the first eleven months of 2017. Given a continue recovery in visitor arrivals, the overall retail environment is expected to turn less challenging in the short term, which in turn will support the retail rental and price. Meanwhile, mid-end positioned retail premises and street shops are expected to be resilient as domestic spending remains steady on the back of stable employment market, which will support mid-end retail as well as necessities spending.

In a longer term, the continual improvements in the city's infrastructure, coupled with a steady economic growth of both Hong Kong and China should support the overall retail sales in Hong Kong. Meanwhile, the increasing trend of middle-class Mainland tourists and stable consumption of the local population will result in higher retail sales of mid-range products and F&B consumption. It is therefore expected to benefit overall retail property demand.

13 All areas are Internal Floor area (IFA) unless otherwise stated

Valuation Report



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5 February 2018

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HSBC Institutional Trust Services (Asia) Limited
17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road, Kowloon
Hong Kong
(the Trustee for Champion REIT)

Dear Sirs

Three Garden Road, Central, Hong Kong (the "Property")

In accordance with the recent instructions of the Manager on behalf of Champion REIT to value the Property, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2017 (referred to as the "Valuation Date") for reporting purposes.

Basis of Valuation

In arriving at our opinion of a market value, we followed “The HKIS Valuation Standards 2017” issued by The Hong Kong Institute of Surveyors (“HKIS”) and “The RICS Valuation – Global Standards 2017” issued by The Royal Institute of Chartered Surveyors (“RICS”). Under the said standards, market value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable in the market on the valuation date by the seller and the most advantageous price reasonably obtainable in the market on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2017” issued by HKIS and “The RICS Valuation – Global Standards 2017” issued by RICS.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts published by The Securities and Futures Commission and “The HKIS Valuation Standards 2017” issued by HKIS and “The RICS Valuation – Global Standards 2017” issued by RICS.

Valuation Methodologies

We have valued the Property subject to its existing tenancies. In undertaking our valuation of the Property, Income Approach and Market Approach are adopted. Income Approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the Property’s type of use, building age and condition. In the course of our valuation, we have assumed that no significant capital expenditure by the owner of the Property will be required in the foreseeable future. Apart from Income Approach, Market Approach is adopted for cross-referencing purpose.

Income Approach – Term and Reversion Method

The existing net rental income, i.e. rent exclusive of rates, management fees, air-conditioning charges and other tenants’ outgoings, of all lettable space of a property, is capitalized in respect of the unexpired term of each contractual tenancy. Upon reversion, i.e. the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the Valuation Date which is in turn capitalized at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government lease upon its expiry. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of a property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred. The capitalization rate adopted is made by reference to the yield achieved in analysed market sales of retail space/office spaces and our knowledge of the market. This expected rate of return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like. Our adopted capitalization rate for the retail and office accommodation is 4.25% and 3.6% respectively.

Valuation Report

Market Approach – Comparable Transactions Method

As a cross-reference, sales evidences of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the Property and the comparable sale and also the market movement over time between the date of sale and the Valuation Date. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

As there were limited en-bloc/bulk transactions for comparison in our valuation, we have also made reference to transactions of strata-titled properties in the vicinity. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Approach.

Valuation Assumptions and Considerations

Our valuation is subject to the following assumptions and considerations.

We have taken reasonable care to investigate the title of the Property by obtaining the sample land search records from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

We have relied to a very considerable extent on information given by the Manager and have accepted advice given to us on such matters as, if any, planning approvals or statutory notices, easements, tenure, occupancy, incomes, carpark numbers, floor areas and all other relevant matters. We have not verified the information provided to us and have assumed that they are correct. We do not undertake to certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. We were also advised by you that no material facts have been omitted from the information provided. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

As instructed, we have relied upon carpark numbers as advised by the instructing party. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.

We have assumed that the Property valued had been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

We inspected the exterior and where available, portion of the interior of the Property on 4 January 2018 without any structural or building survey. The inspection of the Property was undertaken by Mr Kenneth Lok, Manager of the Valuation and Consultancy Department. Nevertheless, we have assumed in our valuation that the Property was in satisfactory exterior and interior decorative order without any unauthorized extensions or structural alterations as at the Valuation Date.

In valuing the Property, we have made reference to the relevant transactions and market conditions as at the Valuation Date. The value of the Property may be affected in a volatile market conditions. Unless otherwise stated, we assumed that the Property is free from encumbrances, restrictions, incidents and outgoings of any onerous nature which could affect its value.

Limiting Conditions

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Property, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties who Champion REIT is contracting with.

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation and market overview.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Thomas Lam

FRICS FHKIS RPS(GP) RICS Registered Valuer

Senior Director, Head of Valuation & Consultancy

Note: Thomas Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific region.

Valuation Report

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017	Estimated Net Property Yield															
Three Garden Road, Central, Hong Kong (See Note 1)	Three Garden Road is an office/commercial/carparking development situated in Central district. It comprises one 47-storey office block, known as Champion Tower, and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.	The retail portion of the Property was let under seven tenancies for various terms with the latest expiry date in October 2025, yielding a total monthly rental income of approximately HK\$2.9 million exclusive of rates, management and air-conditioning charges. The retail tenancies, except the Shop No 5 on Lower Ground Floor, were subject to turnover rents. The average monthly turnover rent receivable during the period from November 2016 to October 2017 was approximately HK\$77,000.	HK\$46,161,000,000 (Hong Kong Dollars Forty Six Billion One Hundred and Sixty One Million)	2.94%															
1,449,936/1,650,000th undivided parts or shares of and in Inland Lot No 8888.	The Property comprises the whole of the retail accommodation and the whole office units of the development. The total floor area and the gross rentable area of the retail and office portions of the Property are approximately as follows:-	With the exception of 6,562.15 sq m (70,635 sq ft) which was vacant, the office portion of the Property was let under various tenancies for various terms with the latest expiry date in April 2022, yielding a total monthly rental income of approximately HK\$106.69 million exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.																	
	<table><tr><th></th><th colspan="2">Total Floor Area</th></tr><tr><th>Use</th><th>sq m</th><th>sq ft</th></tr><tr><td>Retail</td><td>5,362.41</td><td>57,721</td></tr><tr><td>Office</td><td>146,773.78</td><td>1,579,873</td></tr><tr><td>Total</td><td>152,136.19</td><td>1,637,594</td></tr></table>		Total Floor Area		Use	sq m	sq ft	Retail	5,362.41	57,721	Office	146,773.78	1,579,873	Total	152,136.19	1,637,594			
	Total Floor Area																		
Use	sq m	sq ft																	
Retail	5,362.41	57,721																	
Office	146,773.78	1,579,873																	
Total	152,136.19	1,637,594																	
	<table><tr><th></th><th colspan="2">Gross Rentable Area</th></tr><tr><th>Use</th><th>sq m</th><th>sq ft</th></tr><tr><td>Retail</td><td>3,956.99</td><td>42,593</td></tr><tr><td>Office</td><td>113,822.46</td><td>1,225,185</td></tr><tr><td>Total</td><td>117,779.45</td><td>1,267,778</td></tr></table>		Gross Rentable Area		Use	sq m	sq ft	Retail	3,956.99	42,593	Office	113,822.46	1,225,185	Total	117,779.45	1,267,778	The occupancy rates of the retail and office portions were approximately 100% and 94.2% respectively.		
	Gross Rentable Area																		
Use	sq m	sq ft																	
Retail	3,956.99	42,593																	
Office	113,822.46	1,225,185																	
Total	117,779.45	1,267,778																	

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017	Estimated Net Property Yield
	The Property also includes 58 private car parking spaces and a fee paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements. Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No 12063 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.	A total of 500 carparks and 50 motorcycle parking spaces were being operated as a fee-paying public carpark and the remaining 58 carparks were occupied as private carparks and let under various licences. The total average monthly gross income receivable during the period from December 2016 to November 2017 was approximately HK\$1.74 million inclusive of rates and management fees. Various spaces for cellular phone systems were let under four licences for various terms with the latest expiry date in August 2020, yielding a total monthly licence fee of approximately HK\$77,000 exclusive of rates and management fees. A satellite phone antenna, various advertising spaces, the naming right of ICBC Tower and a storeroom on 36th Floor of ICBC Tower were let under three licences with the latest expiry date in June 2021, yielding a total monthly licence fee of approximately HK\$1.54 million exclusive of rates and management fees.		

Valuation Report

Notes: (1) The Property comprises the following portions:–

Office & Health Club (ICBC Tower)	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).
Office (Champion Tower)	Whole of Champion Tower including 3rd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors, 25th to 30th Floors, Portions A and B on 31st Floor, 32nd to 34th Floors, 36th to 39th Floors, Portions A and B on 40th Floor and 41st to 50th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).
Retail Shop	Restaurant Space and Shops 1 to 5 on Lower Ground Floor of the development.
Car Parking Space	Private car parking space nos 5 to 33, 39 to 51, 118 to 131 and 166 to 167 on Basement 2 and public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the development.

(2) The registered owners of the respective portions of the Property as at the Valuation Date are set out below:–

Registered Owner	Portion of the Property
Shine Hill Development Limited	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors). Various portions of Champion Tower, including 3rd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 28th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors). Restaurant Space and Shops 1 to 4 on Lower Ground Floor of the development. Private car parking space nos 5 to 20, 26 to 33, 45 to 51, 121 to 122 and 166 and 167 on Basement 2 and public carpark comprising 500 private car parking spaces and 50 motor cycle parking spaces within the development. All those Reserved Areas as defined in the Deed of Mutual Covenant and Management Agreement in respect of Three Garden Road registered in the Land Registry by Memorial No UB5511011 (being those parts of the buildings (not specifically assigned for the exclusive use of any Owner and not being part of the common areas) reserved for the exclusive use and occupation of Shine Hill (including without limitation to the generality of the foregoing, the Main Roofs, the flat roof, the External Walls, the loading/unloading areas on the First Basement and three (3) flag poles at or above Level +14.668 facing the transverse road).
Maple Court Limited	29th to 30th Floors and Portion B on 31st Floor of Champion Tower. Private car parking space nos 21 to 22 on Basement 2 of the development.

Panhy Limited	Portion A on 31st Floor and 32nd to 33rd Floors of Champion Tower. Private car parking space nos 42 to 44 on Basement 2 of the development.
Well Charm Development Limited	38th Floor of Champion Tower.
CP (Portion A) Limited	Portion A on 40th Floor, 41st to 50th Floors of Champion Tower. Shop 5 on Lower Ground Floor of the development. Private car parking space nos 118 to 120 and 123 to 131 on Basement 2 of the development.
CP (Portion B) Limited	39th Floor and Portion B on 40th Floor of Champion Tower. Private parking space nos 23 to 25 on Basement 2 of the development.
Elegant Wealth Limited	34th, 36th and 37th Floors of Champion Tower. Private parking space nos 39 to 41 on Basement 2 of the development.
(3)	The Property was subject to, inter alia, the following encumbrances as registered in the Land Registry as at the Valuation Date:—
(i)	The portion of the Property held by Shine Hill Development Limited (see Note 2), except a portion of 3rd Floor and whole of 4th to 6th Floors of Champion Tower, is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HK\$16,117,000,000 dated 26 April 2006.
(ii)	The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HK\$860,000,000 dated 26 April 2006.
(iii)	The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HK\$885,000,000 dated 26 April 2006.
(iv)	The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HK\$363,000,000 dated 26 April 2006.
(v)	The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HK\$3,841,000,000 dated 26 April 2006.
(vi)	The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HK\$604,000,000 dated 26 April 2006.
(vii)	The Property is subject to a memorandum on change of buildings names registered in the Land Registry vide memorial no 16072202320206 dated 28 June 2016.
(viii)	The following portions of the Property are subject to a legal charge in favour of Hang Seng Bank Limited registered in the Land Registry vide memorial no 16072802200056 dated 28 June 2016:
(a)	All those portions of 5th to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors of ICBC Tower held by Shine Hill Development Limited;
(b)	All those Portion A on 31st Floor and 32nd and 33rd Floors of Champion Tower and all those three private car parking space nos 42 to 44 on Basement 2 of the Property held by Panhy Limited;
(c)	All that the whole of 38th Floor of Champion Tower held by Well Charm Development Limited;
(d)	All those the whole of 39th Floor and Portion B on 40th Floor of Champion Tower and all those three private parking space nos 23 to 25 on Basement 2 of the Property held by CP (Portion B) Limited; and

Valuation Report

- (e) All those the whole of the 34th, 36th and 37th Floors of Champion Tower and all those three private parking space nos 39 to 41 on Basement 2 of the Property held by Elegant Wealth Limited.
- (ix) The following portions of the Property are subject to a legal charge in favour of Hang Seng Bank Limited registered in the Land Registry vide memorial no 16072802200061 dated 28 June 2016:
- (a) All those portions of 3rd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 28th Floors of Champion Tower, 2nd to 4th Floors of ICBC Tower, all those Retail Shops Nos 1 to 4 and Restaurant Space on Lower Ground Floor of the Property, all those 35 private car parking space nos 5 to 20, 26 to 33, 45 to 51, 121, 122, 166 and 167 on Basement 2 and all that the public carpark comprising 500 private car parking spaces and 50 motor cycle parking spaces within the Property and all those the Reserved Areas the loading and unloading spaces and others of the Property as defined in Deed of Mutual Covenant and Management Agreement held by Shine Hill Development Limited
- (b) All those Portion A on 40th Floor and 41st to 50th Floors of Champion Tower, Shop 5 on Lower Ground Floor of the Property and all those 12 private car parking space nos 118 to 120 and 123 to 131 on Basement 2 of the Property held by CP (Portion A) Limited; and
- (c) All those the whole of 29th to 30th Floors and Portion B on 31st Floor of Champion Tower and all those two private car parking space nos 21 and 22 on Basement 2 of the Property held by Maple Court Limited.
- (4) The Property lay within an area zoned "Commercial" under the Central District (HPA 4) Outline Zoning Plan No S/H4/16 approved on 1 November 2016 as at the Valuation Date.
- (5) Pursuant to Occupation Permit No H63/92 and the approved building plan of Three Garden Road, each of the 3rd Floor and the 4th Floor of Champion Tower is mainly designated as a restaurant with kitchen. Nevertheless, we have valued the aforesaid portions of the Property on office use basis that all necessary approvals have been obtained from the relevant Government authorities for office use.
- (6) The rentals reported herein are the total of the face rentals without taking into account of any rent free periods or the turnover rents received, if any.
- (7) The breakdown market values in respect of different portions of the Property is set out below:–

Use	Market Value as at 31 December 2017
Retail :	HK\$600,000,000
Office :	HK\$44,632,000,000
Carpark :	HK\$577,000,000
Miscellaneous :	HK\$352,000,000
Total:	HK\$46,161,000,000

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2017 is set out below:–

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	1,154,550	94.2
Vacant	70,635	5.8
Total	1,225,185	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental # (HK\$)	% of total	No. of Tenancy	% of total
2013	136,671	11.8	\$13,613,565	12.8	4	2.7
2014	104,036	9.0	\$9,785,777	9.2	8	5.4
2015	263,791	22.9	\$21,996,399	20.6	32	21.6
2016	343,999	29.8	\$30,125,228	28.2	51	34.5
2017	306,053	26.5	\$31,164,434	29.2	53	35.8
Total	1,154,550	100	\$106,685,402	100	148	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental # (HK\$)	% of total	No. of Tenancy	% of total
2018	160,784	13.9	\$14,890,443	14.0	45	30.4
2019	267,635	23.2	\$24,710,962	23.1	43	29.1
2020	387,153	33.5	\$40,435,231	37.9	43	29.1
2021	324,433	28.1	\$25,349,546	23.8	15	10.1
2022	14,545	1.3	\$1,299,221	1.2	2	1.3
Total	1,154,550	100	\$106,685,402	100	148	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental # (HK\$)	% of total	No. of Tenancy	% of total
1	5,093	0.4	\$588,292	0.6	2	1.4
2	105,890	9.2	\$10,043,682	9.4	28	18.9
3	429,079	37.2	\$42,938,503	40.2	86	58.1
4	73,299	6.3	\$6,071,857	5.7	8	5.4
5	201,743	17.5	\$16,089,715	15.1	9	6.1
6	207,427	18.0	\$18,267,624	17.1	12	8.1
7	132,019	11.4	\$12,685,730	11.9	3	2.0
Total	1,154,550	100	\$106,685,402	100	148	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes five renewal tenancies for terms of approximately one year and five months to three years commencing in between January 2018 and October 2018.

Valuation Report

- (9) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding the licenced miscellaneous premises) as at 31 December 2017 is set out below:–

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of total
Leased	42,593	100
Vacant	0	0
Total	42,593	100

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental # (HK\$)	% of total	No. of Tenancy	% of total
2015	30,517	71.6	\$1,822,475	62.9	1	14.3
2016	9,874	23.2	\$683,757	23.6	4	57.1
2017	2,202	5.2	\$391,402	13.5	2	28.6
Total	42,593	100	\$2,897,634	100	7	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental # (HK\$)	% of total	No. of Tenancy	% of total
2018	1,798	4.2	\$145,640	5.0	1	14.3
2019	787	1.8	\$62,252	2.1	1	14.3
2020	2,202	5.2	\$391,402	13.5	2	28.5
2021	382	0.9	\$57,300	2.0	1	14.3
2023	6,907	16.2	\$418,565	14.5	1	14.3
2025	30,517	71.7	\$1,822,475	62.9	1	14.3
Total	42,593	100	\$2,897,634	100	7	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of total	* Monthly Rental # (HK\$)	% of total	No. of Tenancy	% of total
2	1,798	4.2	\$145,640	5.0	1	14.3
3	2,989	7.0	\$453,654	15.7	3	42.8
5	382	0.9	\$57,300	2.0	1	14.3
7	6,907	16.2	\$418,565	14.4	1	14.3
10	30,517	71.7	\$1,822,475	62.9	1	14.3
Total	42,593	100	\$2,897,634	100	7	100

* Individual monthly rental may not sum to same as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes one renewal tenancy for term of three years commencing in April 2018.

Office Market Overview

OFFICE DEMAND

As one of the major global financial centres, Hong Kong is the preferred location for many international corporations setting up regional offices in Asia. The Central Business District ("CBD") in Hong Kong includes Central on Hong Kong Island. Other major business districts include Sheung Wan, Wan Chai and Causeway Bay on Hong Kong Island, Tsim Sha Tsui in Kowloon, as well as decentralised areas namely Quarry Bay and North Point on Hong Kong Island. With limited availability in the central areas and the expansion of transport infrastructure, recent years have seen a rapid decentralisation of office space and the growth of new alternative office hubs such as Kowloon East¹ and Yau Ma Tei/Mong Kok in Kowloon as well as Kwai Tsing and Tsuen Wan in the New Territories.

OFFICE STOCK²

Hong Kong has seen a slightly slower growth in office stock over the last five years. According to the Rating and Valuation Department, Hong Kong's total office stock grew 6% between 2012 and 2016. This compares with the 7% growth in total office stock between 2007 and 2011. In particular, the growth in Grade A office space slowed to 7% between 2012 and 2016, compared with the 12% increase between 2007 and 2011.

As of November 2017, Grade A office space (79.6 million sq ft) represented approximately 64% of all office stock, while the remaining 36% was Grades B and C space. The share of Grade A office space is expected to remain the same by the end of 2017.

Central, being the Central Business District (CBD) of Hong Kong, is one of the key office locations for international financial institutions and regional headquarters of multinational corporations. Central is expected to represent approximately 19% of total office stock (24 million sq ft) and about 22% of the total stock of Grade A offices (18 million sq ft) in 2017. Central, together with the other major office areas including Sheung Wan, Wan Chai and Causeway Bay on Hong Kong Island, as well as Tsim Sha Tsui in Kowloon, are expected to represent around 49% of total Grade A office stock by the end of 2017.

RENTAL TRENDS

Hong Kong's Grade A office rents generally on the uptrend in the last five years (2012 to 2016), shrugged off the negative effects from the global financial crisis in late 2008 to 2009. According to the Rating and Valuation Department, the average Grade A office rent rose by around 21% from 2012 to 2016, representing a 5% Compound Annual Growth Rate (CAGR) in the period. During the period, Grade A office rental in Central saw a negative growth in 2013 and in early 2014 following an intensified European debt crisis in late 2012. Average Grade A office rents in Hong Kong therefore decreased by 4% in 2013, and increased less than 1% in 2014³.

However, following a recovered office demand from the financial sector, particularly Chinese financial companies after the launch of Shanghai-Hong Kong Stock Connect, Grade A office rents in Central recovered since 2015. The average Grade A office rent in the district rose about 13% in 2015⁴. Rents edged up a further 6% year on year in 2016, and a further 5% in the first eleven months of 2017⁴.

1 Kowloon East refers to Kwun Tong and Kowloon City.

2 All areas are Internal Floor Area (IFA) unless otherwise stated.

3 Rating and Valuation Department figures

4 Knight Frank estimates

Valuation Report

PRICE TRENDS

In line with the office rental trend, office price was generally on an uptrend in the last five years (2012 to 2016). According to the Rating and Valuation Department, average Grade A office price in Hong Kong rose 18% from 2012 to 2013. In 2014, on the back of slowed Grade A office sales due to a series of cooling measures including the Double Stamp Duty (DSD) and the lowering of the maximum mortgage loan-to-value ratio for commercial properties, average Grade A office price in Hong Kong drop 1% in the year.

As Mainland Chinese financial institutions push on plans to expand their physical footprint in Hong Kong's prime business districts, while Grade A office rental resumed positive growth, these in turn support capital appreciation and increases investors' focus on the office sales market.

In the first eleven months of 2017, Grade A office price surged another 19% after growing a total 7% in 2015 and 2016, according to Rating and Valuation Department.

In line with the office sales market, land sale market in Hong Kong has been robust so far in 2017, with land price consistently breaking market records. For instance, the Murray Road Carpark site was sold for HK\$23.28 billion, representing an accommodation value of HK\$50,065 per sq ft. This sets a new record high in Hong Kong in terms of commercial land price. This also highlights the robust sentiment of Hong Kong's land market in the year.

In Central, average Grade A office price in the district saw a 61% growth from 2010 to 2013, followed by a 1% decline amid a softened commercial investment market sentiment in Hong Kong in 2014, according to Rating and Valuation Department figures. The district saw a recovery in price growth in 2015, recording a 4% growth from 2014 based on Knight Frank estimates. Price grew about 12% in 2016, and further 21% in the first eleven months of 2017 from the end of 2016⁵.

SUPPLY⁶

Hong Kong's Grade A office supply trend down over the last ten years (2007 to 2016), due to a general lack of sites in core office locations. Grade A office supply averaged about 1.2 million sq ft per annum in the last five years (2012 to 2016), 42% lower than the average 2.1 million sq ft supply per annum in the period of 2007 to 2011. Meanwhile, Grade A office supply in Central remained at a low level of an average 34,200 sq ft per annum in the period of 2012 to 2016. No new major supply is expected in 2017.

Hong Kong is likely to see an increase in office supply from 2018 to 2022. New Grade A office supply is projected to reach a total of 7.9 million sq ft, representing an annual average of approximately 1.6 million sq ft. This compares with the average supply of 1.2 million sq ft per annum from 2012 to 2016. While office take-up varies with market conditions and business environment every year, the future office supply level is still expected to be below the annual average take-up of about 1.8 million sq ft per annum over the last 20 years (1997 to 2016).

Analysing the future supply by districts, it is worth noting that most of the future supply will be located outside the core business districts in Hong Kong, namely Central, Sheung Wan, Wan Chai/Causeway Bay and Tsim Sha Tsui districts. These districts will represent about 31% of the total supply in the coming five years (2018 to 2022). Notably, none of the new major Grade A supply will be in Central in the period.

⁵ Knight Frank estimates

⁶ All areas are Internal Floor Area (IFA) unless otherwise stated

Earmarked by the Government as the new Central Business District ("CBD2"), the Kowloon East area, which covers Kwun Tong and Kowloon City, will be the area with the largest office supply. The area is expected to add about 3.2 million sq ft or 41% to the total new office supply of Hong Kong between 2018 and 2022.

VACANCY⁷

Demand for office space in Hong Kong has remained resilient in the past despite a number of economic downturns. Net office take-up continued to remain positive in 2016. Meanwhile, average Grade A office vacancy rate in Hong Kong was stable in 2016, showing no major signs of downturn in office space absorption.

Supported by steady office demand, Grade A office vacancy in Hong Kong remained stable in recent years. The average Grade A office vacancy rate dropped to about 2.4% in 2015 from 3.4% in 2014, and remained at about 2.3% in 2016.

In 2017, Grade A office vacancy rate averaged 3.6% due to a number of major new office completions in Kowloon East.

In light of recovered office demand from the financial sector, particularly from Chinese financial institutions, Grade A office vacancy rates in Central and Admiralty were about 2.5% and 2.7% respectively in 2015. The two districts saw their average vacancy rate edged down to less than 2% in 2016 and 2017.

OUTLOOK

In general, office demand in Hong Kong is likely to remain firm, notwithstanding any major economic downturn. Demand from Chinese firms is set to remain strong as they continue to seek quality office space in Hong Kong. This will help boosting demand for Grade A office in core business districts such as Central.

Over a longer term, Hong Kong is expected to see improvements in the market fundamentals – infrastructures in the coming years. Government investments in future infrastructure, including the addition of more mass rapid transit lines such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Shatin-to-Central Link and Three-runway System Development of HKIA will continue to bode well for Hong Kong's long-term business opportunity growth.

Therefore, in view of the limited future office supply particularly in Central, as well as a strong office demand in the district, both rents and values should be well supported in the area.

Trustee's Report

TO THE UNITHOLDERS OF 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))

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009, the fourth supplemental deed dated 23 July 2010, the fifth supplemental deed dated 13 March 2012, the sixth supplemental deed dated 23 January 2015 and the seventh supplemental deed dated 1 June 2017 for the financial year ended 31 December 2017.

HSBC Institutional Trust Services (Asia) Limited

in its capacity as the trustee of Champion Real Estate Investment Trust

Hong Kong, 14 February 2018

Corporate Governance Report

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 major activities since 2017 are set out below:

- **Amendments to the Compliance Manual**

During the year, the Compliance Manual had been updated twice. The first update was in response to the circular ("SFC Circular") issued by Securities and Futures Commission ("SFC") to introduce measures to heighten the accountability of the senior management of a licensed corporation and to promote awareness of senior management obligations under the current regulatory regime by classification of eight core functions, including the overall management oversight, key business line, operation control and review, risk management, finance and accounting, information technology, compliance and anti-money laundering and counter-terrorist financing. With the approval of the Board of Directors on 27 February 2017, core functions of the Managers-In-Charge ("MICs") had been assigned and accordingly the Compliance Manual had been updated.

The purpose of the second update was to reflect the latest employee structure of the REIT Manager. Version 6 of the Compliance Manual had been approved by the Board of Directors on 7 November 2017 and the same had been submitted to the SFC for filing accordingly.

- **Amendments to the Deed of Trust constituting Champion REIT ("Trust Deed")**

The Special Resolutions in relation to the amendments to the Trust Deed for the purpose of reflecting the latest developments in the Hong Kong REIT market and to mirror updates to the REIT Code and the Listing Rules were approved by the Unitholders at an extraordinary general meeting of Champion REIT held on 23 May 2017. More than 99% of the votes were cast in favour of each of the Special Resolutions. Details of the transactions were set out in the circular to the Unitholders dated 28 April 2017.

- **Possible Disposal of Langham Place Office Tower Property**

On 4 July 2017, the REIT Manager appointed Savills (Hong Kong) Limited to explore the possibility of Champion REIT disposing of its entire interest in Langham Place Office Tower Property located at 8 Argyle Street, Mong Kok, Kowloon. Announcement in relation thereto was made on 4 July 2017.

A clarification announcement in relation to the possible disposal of the Langham Place Office Tower by Champion REIT was made on 31 October 2017.

- **Appointment of an Additional Member of the Audit Committee**

Further to the re-designation of Mr. Ho Shut Kan ("Mr. Ho") as an Independent Non-executive Director of the REIT Manager on 16 January 2017, Mr. Ho was appointed as an additional member of the Audit Committee of the REIT Manager with effect from 23 August 2017. Announcement in relation thereto was made on 23 August 2017.

Corporate Governance Report

- **General Mandate to Buy-back Units**

A general mandate for buy-back no more than 10% of Units in the open market was granted by the Unitholders at the annual general meeting of Champion REIT held on 23 May 2017.

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 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 REIT Code and the 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, Mr. Kwong Chi Kwong, the Chief Operating Officer and Ms. Lau Yee Tong, Yvonne, the Asset Management Director 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.

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.

GOVERNANCE PRACTICES

Roles of the Trustee and the REIT Manager

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 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.

Under the new 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 MICs. 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	Asset Management Director and Internal Audit Manager
4. Risk Management	Internal Audit Manager
5. Finance and Accounting	Finance Manager
6. Information Technology	Chief Operating Officer
7. Compliance	Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	Chief Operating Officer and Compliance Manager

Corporate Governance Report

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 5 Directors and a maximum of 13 Directors. The Board currently comprises 8 members, with 1 Executive Director and 7 Non-executive Directors (including 4 Independent Non-executive Directors).

The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Lo Ka Shui who is a Non-executive Director. The Chief Executive Officer is Ms. Wong Ka Ki, Ada who is an Executive Director. The composition of the Board of the REIT Manager during the year is set out below:

Non-executive Directors

LO Ka Shui (*Chairman*)

IP Yuk Keung, Albert

LO Kai Shui

Executive Director

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

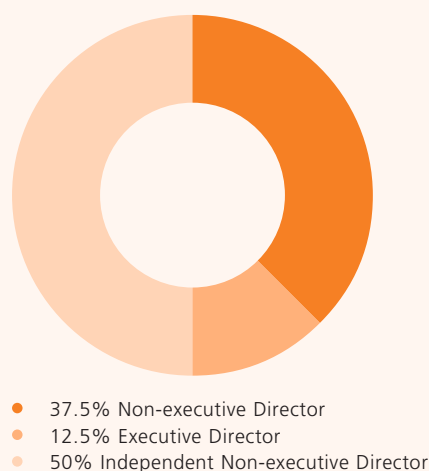
Independent Non-executive Directors

CHA Mou Sing, Payson

CHENG Wai Chee, Christopher

HO Shut Kan

SHEK Lai Him, Abraham



Biographical details of the Directors are set out in this Annual Report on pages 12 to 16 and published on the Trust's website at www.ChampionReit.com.

In accordance with the articles of association of the REIT Manager, one-third of the Directors shall retire from office at every annual general meeting of the REIT Manager, or if their number is not a multiple of three, then number nearest to one-third shall retire from office. A retiring Director shall be eligible for re-election provided that if the retiring Director is an Independent Non-executive Director who serves the Board for more than 9 years, his further appointment shall be subject to the approval of the Unitholders at the Annual General Meeting of Champion REIT by way of an Ordinary Resolution.

Dr. Lo Ka Shui, the Chairman and Non-executive Director of the REIT Manager, is an elder brother of Mr. Lo Kai Shui, a Non-executive Director of the REIT Manager. Mr. Ip Yuk Keung, Albert is the executive director and chief executive officer and Dr. Lo Ka Shui is the chairman and non-executive director of the manager of the publicly listed trust, Langham Hospitality Investments, of which Great Eagle has a 62.29% interests. Save as disclosed above, there are no other financial, business, family or other material or relevant relationships between board members.

Set out below is a summary of expertise and responsibilities of each Board Member.

	Expertise	Responsibilities
Non-executive Directors		
LO Ka Shui (<i>Chairman</i>)	Property and hotel development and investment both in Hong Kong and overseas	Ensuring effective operation of the Board and all key and appropriate issues are discussed and considered by the Board in a timely manner; and leading the Board to establish good corporate governance practices and procedures of the REIT Manager
IP Yuk Keung, Albert	International banking, investment and financing	Formulation of strategic directions and high level oversight of the management and operations of the Trust
LO Kai Shui	Property development, investment and building construction	Formulation of strategic directions and high level oversight of the management and operations of the Trust
Executive Director		
WONG Ka Ki, Ada (<i>Chief Executive Officer</i>)	Investment and financing	Responsible for all day-to-day operations; supervising the management team to ensure that the Trust is operated in accordance with the stated strategy, policies and regulations; implementing the corporate governance practices adopted by the REIT Manager; and chairing the Disclosures Committee
Independent Non-executive Directors		
CHA Mou Sing, Payson	Property development and investment	Scrutinizing and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; and ensuring the REIT Manager follows good corporate governance practices
CHENG Wai Chee, Christopher	Property development	Scrutinizing and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices
HO Shut Kan	Property development	Scrutinizing and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; and ensuring the REIT Manager follows good corporate governance Practices
SHEK Lai Him, Abraham	Property development, real estate and construction	Chairing the Audit Committee; scrutinizing and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices

Corporate Governance Report

Board Diversity

Our Directors are drawn from a broad range of commercial background and experience including expertise in property and financial services. In reviewing the Board composition, the REIT Manager will take into account the Company's strategic priorities to determine the appropriate range and balance of skills, experience, knowledge and independence. Appointments to the Board are on merit and against objective criteria and with due regard for the benefits of diversity. Considerations that factor into the candidate short-listing process include but not limited to legal requirements, best practices, skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. Restrictions like gender, age, cultural or educational background will not be set when short-listing candidates. The Chairman of the Board should be a Non-executive Director of the REIT Manager and at least one-third, and a minimum of three members of the Board should be Independent Non-executive Directors.

Board Responsibilities

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.

Key Reserved Matters to the Board

- treasury, taxes, financial risk management and capital policies and significant changes in accounting policy
- sale and acquisition of properties
- issue of new Units
- changes to the Corporate Governance Policy
- distributions of Champion REIT to Unitholders
- annual, interim reports and circulars to Unitholders
- appointment and removal of Directors to the REIT Manager
- changes to the provisions in the Trust Deed
- appointment and removal of auditors of Champion REIT and approval of the audit fee
- material contracts not in the ordinary course of business
- potential areas of possible conflict

Independence

Pursuant to the REIT Manager's corporate governance policy, Independent Non-executive Directors must be individuals who fulfill the independence criteria set out in the Compliance Manual that are no less exacting than those set out in rule 3.13 of the Listing Rules for assessing the independence of an Independent Non-executive Director. Each of the Independent Non-executive Directors of the REIT Manager has provided a written annual confirmation of independence to the REIT Manager. The Audit Committee of the REIT Manager has also assessed the independence of the Independent Non-executive Directors.

All Independent Non-executive Directors of the REIT Manager have served the Board for more than 9 years. Notwithstanding their length of service, the Board is of the view that they demonstrate complete independence in character and judgment both as Board members and in their designated roles. The Board also believes that they continue to bring independent view of the affairs of Champion REIT to the Board and their in-depth knowledge of the Trust's business and their extensive experience continue to provide invaluable contribution to the Board.

Continuing Professional Development

To keep Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Trust's business and operating environment, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director are provided to each Director by the Company Secretary of the REIT Manager periodically to foster the refreshing and ongoing updating of Board members' skills and knowledge.

During the year ended 31 December 2017, the Directors received information packages with focus on the topics of the asset management and monitor on real estate sector, consumer behavior, global economics environment and latest update of statutory and regulatory requirements relevant to the Directors. Each of the Directors has confirmed that they have participated in no less than 10 training hours during the year ended 31 December 2017, and all the Directors had provided confirmation on their respective training records to the REIT Manager.

Directors' Time Commitments

During the year ended 31 December 2017, each of the Directors has confirmed that they have spent sufficient time and attention to the affairs of Champion REIT.

Supply of and Access to Information

In addition to the monthly reports covering operating highlights of the Trust's business, thorough and comprehensive management and financial updates are provided to all Board members on a quarterly basis to ensure each member is informed of the state of the business and enable them to make proper response and follow up. If there are material matters worth the immediate attention of the Board members, the REIT Manager will provide the Directors with the necessary information in the form of exceptional reports. Also, additional information will always be provided to the Directors upon request.

Corporate Governance Report

Induction

Each newly appointed Director will receive an induction pack to familiarise himself/herself with the business, operations of Champion REIT and the legal framework under which Champion REIT is governed and the internal control procedures and policies of the Trust. The induction pack includes but not limited to the Trust Deed, REIT Code, Compliance Manual, Operations Manual, articles of association of the REIT Manager, and recent publications of Champion REIT. The Company Secretary of the REIT Manager also provides all Directors with materials from time to time to keep them abreast of the latest developments in the industry and the legal framework that are relevant to the affairs of Champion REIT.

Independent Professional Advice

For the purposes of discharging their duties and responsibilities, the Board members may obtain independent professional advice at the REIT Manager's expense upon reasonable request. The Company Secretary of the REIT Manager is responsible for making all necessary arrangement.

Insurance

During the year ended 31 December 2017, appropriate directors' and officers' liabilities insurance and professional indemnity insurance have been arranged in respect of legal action against the Directors and officers of the REIT Manager and the provision of professional services by the REIT Manager to the Trust.

Disclosure on Remuneration

According to the Trust Deed, the REIT Manager shall be entitled to a Manager's Fee of 12% of the net property income and be payable semi-annually in arrears after the publication of the semi-annual financial statements of the Trust provided that the net property income as shown in the published semi-annual financial statements is equal to or more than HK\$200 million.

Pursuant to the announcement of Champion REIT dated 30 November 2012 and according to Clause 11.1.2 of the Trust Deed in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 50% of the Manager's Fee arising from the real estate owned by Champion REIT for the financial year 2017 in the form of Units and the remaining 50% in cash. The Manager's Fee for the year ended 31 December 2017 amounted to approximately HK\$260 million, being 12% of the net property income of Champion REIT for such services rendered during the year.

The payment of the Manager's Fee by way of Units is in accordance with the terms of the Trust Deed and does not require specific prior approval of the Unitholders pursuant to a waiver granted by the SFC.

The remuneration of Directors and staff of the REIT Manager is paid by the REIT Manager, and not by Champion REIT. The REIT Manager adopts the remuneration policies and practices of its holding company, which has a remuneration committee that determines policy and structure for all remuneration of senior executives of the REIT Manager, which include the Chief Executive Officer of the REIT Manager and members of its senior management team. None of the Directors has a service contract with the REIT Manager which is not terminable by the employer within one year without payment of compensation (other than statutory compensations). Since Champion REIT does not bear the remuneration of the REIT Manager's Board and staff, the REIT Manager does not consider it necessary to include the information about the remuneration of its Directors and its key executives in this report.

Delegation

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.

Audit Committee

The REIT Manager established an Audit Committee and adopted the terms of reference in 2006. The written terms of reference of the Audit Committee are available upon request. 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.

Audit Committee's Principal Responsibilities

- reviewing external audit reports to ensure that, where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the Listing Rules;
- reviewing all financial statements and all internal audit reports;
- monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Champion REIT and a "connected person" (as defined in the REIT Code);
- assisting the Board in its monitoring of the REIT Manager's overall risk management profile and setting guidelines and policies to govern risk assessment and risk management;
- making recommendations to the Board on persons for appointment and re-appointment as Directors to, and persons for removal as Directors from, the full Board; and
- assessing the independence of the Independent Non-executive Directors.

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 members of the Audit Committee are appointed by the Board of Directors from among the Non-executive Directors of the REIT Manager and a majority of the members of the Audit Committee are required to be Independent Non-executive Directors.

Pursuant to the waiver from strict compliance with the requirement under paragraph 9.13 of the REIT Code granted by the SFC, the Audit Committee of the REIT Manager confirmed that the roadshow and public relations-related expenses ("PR Expenses") were incurred in accordance with the internal control procedures of the REIT Manager and the nature of these PR Expenses was solely for the purposes as set out in Clause 2.4.13 of the Trust Deed.

Corporate Governance Report

Summary of Major Work Done of the Audit Committee in 2017

During the year 2017, two physical meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee during the year 2017:

- reviewed the Reports of the Internal Auditor;
- reviewed the audited financial statements for the year ended 31 December 2016 and the unaudited financial statements for the six months ended 30 June 2017, with particular regard to the qualitative aspects of Champion REIT's accounting practices including the following major judgmental issues:
 - (1) the intention and ability to hold the held-to-maturity investments in light of the capital maintenance and liquidity requirements of Champion REIT;
 - (2) the treatment of deferred taxation on changes in fair value of the investment properties of Champion REIT situated in Hong Kong;
 - (3) the processes and method of valuation of the investment properties and the non-quoted derivative financial instruments of Champion REIT.
- reviewed the Annual Report and the Final Results Announcement for the year ended 31 December 2016;
- reviewed the Interim Report and the Interim Results Announcement for the six months ended 30 June 2017;
- reviewed the Reports from the External Auditor;
- considered and recommended to the Board on the re-appointment of External Auditor and approved the terms of engagement;
- reviewed the legal and regulatory compliance matters for the year ended 31 December 2016 and for the six months ended 30 June 2017, which included, among others, the Reports on Connected Party Transactions;
- reviewed and recommended to the Board on the re-designation of Mr. Ho Shut Kan as an Independent Non-executive Director of the REIT Manager and the appointment as an additional member of the Audit Committee of the REIT Manager;
- reviewed and approved the 2017 annual budget/forecasts and annual business plan prepared by the REIT Manager; and
- reviewed the effectiveness of risk management and internal control systems.

Disclosures Committee

The REIT Manager established a Disclosures Committee and adopted the terms of reference in 2006. The written terms of reference of the Disclosures Committee are available upon request. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. It works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete.

Disclosures Committee's Principal Responsibilities

- reviewing and recommending to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions, and potential areas of conflict of interests;
- overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Champion REIT to the public and applicable regulatory agencies;
- reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Champion REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable; and
- reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies.

The members of the Disclosures Committee are appointed by the Board of Directors from among the Directors. It 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.

Summary of Major Work done of the Disclosures Committee in 2017

During the year 2017, two physical meetings of the Disclosures Committee were held, and three written resolutions were passed by all members of the Disclosures Committee. The following is a summary of the major work done of the Disclosures Committee during the year 2017:

- reviewed and approved the 2016 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2016, the payment of Manager's fee in cash and Units and the final distribution;
- reviewed and approved the draft Circular to Unitholders in relation to the General Mandate to Buy-back Units of Champion REIT and the Notice convening the 2017 Annual General Meeting;
- reviewed and approved the draft Announcements and Circular to Unitholders in relation to the proposed amendments to the Trust Deed and the Notice convening the Extraordinary General Meeting held on 23 May 2017;
- reviewed and approved the draft Announcement in relation to the possible disposal of Langham Place Office Tower Property and the relevant draft Clarification Announcement;
- reviewed and approved the 2017 Interim Report of Champion REIT and announcements in relation to the 2017 interim results, the payment of Manager's fee in cash and Units and the interim distribution; and
- reviewed and recommended the draft Announcement in relation to the re-designation of Mr. Ho Shut Kan as an Independent Non-executive Director of the REIT Manager and the appointment as an additional member of the Audit Committee of the REIT Manager.

Corporate Governance Report

Board and Board Committee Meetings

Directors make fruitful contribution by attending meetings and sharing views, advice and experience on matters material to the Trust's affairs, with the common goal of further enhancing the interests of the Trust and the Unitholders. Board meetings of the REIT Manager are held regularly at least four times a year at approximately quarterly intervals. Proposed dates of the regular Board and Board Committee meetings for each new calendar year are set out in a schedule and notified to all Board members before the beginning of the year concerned with a view to facilitating their attendance. Additional meetings are convened as and when circumstances warrant.

Proceedings of the Board and Board Committees

- At least 14 days' formal notice of regular Board and Board Committee meetings will be given by the Company Secretary to all Directors, and all Directors are given the opportunity to include any matters for discussion in the agenda. For special Board and Board Committee meetings, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Board Committee meeting.
- The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.
- If a substantial unitholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- Minutes of all Board and Board Committee meetings are kept by the Company Secretary and are available for Directors' inspection. Draft and final versions of minutes are sent to all Directors in a timely manner for their comment and record.

The attendance of individual Directors and committee members in 2017 is set out in the table below:

Number of Meeting(s) Attended/Eligible to Attend in 2017

Name of Directors	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting
Non-executive Directors			
LO Ka Shui (<i>Chairman</i>)	5/5	2/2	2/2
IP Yuk Keung, Albert	5/5	–	–
LO Kai Shui	3/5	–	–
Attendance Rate	87%	100%	100%
Executive Director			
WONG Ka Ki, Ada (<i>Chief Executive Officer</i>)	5/5	–	2/2
Attendance Rate	100%	–	100%
Independent Non-executive Directors			
CHA Mou Sing, Payson	5/5	–	–
CHENG Wai Chee, Christopher	5/5	2/2	–
HO Shut Kan ¹	5/5	–	–
SHEK Lai Him, Abraham	5/5	2/2	2/2
Attendance Rate	100%	100%	100%
Overall Attendance Rate	95%	100%	100%

¹ Re-designated as an Independent Non-executive Director with effect from 16 January 2017 and appointed as an additional member of the Audit Committee on 23 August 2017.

Company Secretary

The REIT Manager has engaged G. E. Secretaries Limited as its Company Secretary. The primary contact person of the Company Secretary is Ms. Wong Mei Ling, Marina who is a fellow of The Hong Kong Institute of Chartered Secretaries. The Company Secretary of the REIT Manager comprises a team of qualified company secretarial professionals who provide a full range of company secretarial support to the REIT Manager and its Directors. Members of the senior management of the REIT Manager maintain day-to-day contact with the Company Secretary to ensure the Company Secretary has knowledge of the affairs of the Trust. The Company Secretary reports to the Chairman of the Board and the Chief Executive Officer. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Management of Business Risk

The Board of the REIT Manager will meet quarterly or more often if necessary and will review the financial performance of the REIT Manager and Champion REIT against a previously approved budget. The Board will also review any risks to assets of Champion REIT, examine liability management and act upon any recommendations from the auditors of Champion REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. It will review management reports and feasibility studies on individual development projects prior to approving major transactions.

Corporate Governance Report

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team comprises the Chief Executive Officer and Chief Investment Officer, the Chief Operating Officer, the Investment and Investor Relations Director, the Asset Management Director, the Business Development Director, the Senior Finance Manager, the Compliance Manager and the Internal Audit Manager. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing among the team members. In 2017, twelve meetings were held by the management team.

Whistle-blowing

The REIT Manager has put in place procedures to ensure well defined and accessible channels to report on suspected fraud, corruption, dishonest practices, and for the independent investigation of any reports and appropriate follow up action. The aim of the whistle-blowing policy is to encourage the reporting of such matters in good faith, with the confidence that persons making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

Conflicts of Interests and Business Competition with Great Eagle

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. 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.

Conflict of Interest

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.

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 & 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:

- 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.
- 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.
- The majority of the Board is not related to Great Eagle and the Independent Non-executive Directors will act independently for the interests of Champion REIT.
- The management structure of the REIT Manager includes the Audit Committee and the Disclosures Committee to promote a high level of corporate governance and address any potential conflicts of interests with Great Eagle.
- The REIT Manager has adopted the Compliance Manual and Operations Manual which set out detailed compliance procedures in connection with its operations.
- The REIT Manager has a team of full-time senior management and employees that operates independently of Great Eagle.
- 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.

Corporate Governance Report

Reporting and Transparency

Champion REIT will prepare its accounts in accordance with Hong Kong GAAP with a financial year end of 31 December and a financial half-year end of 30 June. While it is a requirement under the REIT Code that the annual report and accounts for Champion REIT shall be published and sent to Unitholders no later than four months following each financial year end and the interim report no later than two months following each financial half-year end, in accordance with the Listing Rules, full-year financial results shall be released by the Trust not later than three months after the end of the financial year.

The REIT Manager will furnish Unitholders with notices of meetings of Unitholders, announcements relating to Champion REIT, circulars in respect of transactions that require Unitholders' approval or information that is material in relation to Champion REIT (such as connected party transactions, transactions that exceed a stated percentage threshold, a material change in Champion REIT's financial forecasts, an issue of new Units or a valuation of real estate held by Champion REIT). Under the Trust Deed, the REIT Manager is required to keep Unitholders informed of any material information pertaining to Champion REIT in a timely and transparent manner as required by the REIT Code.

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the external auditor of Champion REIT amounted to HK\$2,090,000 (2016: HK\$2,010,000) for audit and audit related services, and HK\$610,000 (2016: HK\$852,000) for non-audit services.

General Meetings

Attendance

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The 2017 annual general meeting of Champion REIT was held on 23 May 2017; Dr. Lo Ka Shui, Mr. Ip Yuk Keung, Albert, Mr. Lo Kai Shui, Ms. Wong Ka Ki, Ada, Mr. Cheng Wai Chee, Christopher and Mr. Shek Lai Him, Abraham attended the meeting and the external auditor was also available at the meeting to answer any questions raised by the Unitholders in respect of the audit.

For the purpose of reflecting the latest developments in the Hong Kong REIT market and to mirror updates to the REIT Code and the Listing Rules in respect of the amendments to the Trust Deed, an extraordinary general meeting was held on 23 May 2017; Dr. Lo Ka Shui, Mr. Ip Yuk Keung, Albert, Mr. Lo Kai Shui, Ms. Wong Ka Ki, Ada, Mr. Cheng Wai Chee, Christopher and Mr. Shek Lai Him, Abraham attended the meeting.

Notice

The Trustee or the REIT Manager may at any time convene a meeting of Unitholders. The REIT Manager will also convene a meeting of Unitholders if requested in writing by not less than two Unitholders registered as holding together not less than 10% of the Units for the time being in issue and outstanding. While it is a requirement under the Trust Deed that at least 14 days' notice of the meeting shall be given to Unitholders where an ordinary resolution is proposed for consideration at such meeting, and at least 21 days' notice shall be given to Unitholders where a special resolution is proposed for consideration at such meeting, the REIT Manager has adopted the requirement under the Corporate Governance Code of the Listing Rules that notice of annual general meeting should be sent at least 20 clear business days before the meeting and notice of all other general meetings should be sent at least 10 clear business days before the meetings.

Quorum

Two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units for the time being in issue and outstanding.

Voting

For a meeting at which Unitholders have a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the REIT Manager (where the Unitholder(s) concerned is (are) not connected persons related to the REIT Manager) or the Trustee (where the Unitholder(s) concerned is (are) connected persons related to the REIT Manager), if appropriate, in its absolute opinion), which includes but not limited to an issue of new Units where a Unitholder may increase his holdings of Units by more than his pro rata share, such Unitholders shall be prohibited from voting their own Units at such meeting or being counted in the quorum for such meeting.

Poll Vote

At any meeting, a resolution put to the meeting shall be decided on a poll, except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder provided that such Units are fully paid up. Votes cast by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted.

On a poll, votes may be given either personally or by proxy. The form of the instrument of proxy used shall be in accordance with the form illustrated in the Trust Deed or in any other form which the Trustee shall approve. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders. A person so authorised shall have the same rights and powers as if he were an individual Unitholder.

Corporate Governance Report

Proceedings of General Meetings

- At each general meeting, each substantially separate issue will be considered by a separate resolution.
- Copies of the corporate communications including circulars, explanatory statements and related documents will be despatched to Unitholders no less than 14 days for ordinary resolution and no less than 21 days for special resolution prior to the meeting. Detailed information on each resolution to be proposed will also be provided.
- The external auditor will attend annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence and any other related questions as may be raised by the Unitholders.
- All votes of Unitholders at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- Independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be posted on the websites of Champion REIT and the Stock Exchange on the same day after the meeting.

Communication with Unitholders

Maintaining timely, mutual and effective communication with Unitholders and the investment community about corporate strategy, business development and prospects is an important priority for Champion REIT. A timeline of significant events setting out the important dates for Champion REIT and the Unitholders is provided in this Annual Report on page 2 as a quick reference. The REIT Manager meets existing and potential investors, financial analysts and media at one-on-one group meetings, local and overseas conference and roadshows regularly. Analyst briefings and investor meetings were held during the year.

To ensure efficient communication, all corporate communications of Champion REIT, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant information, are available on the website of Champion REIT at www.ChampionReit.com. Investors and Unitholders may visit the website for details of the recent press release and results announcement presentation.

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Unitholders, Champion REIT has provided Unitholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of Champion REIT for the information or action of Unitholders as defined in Rule 1.01 of the Listing Rules) by electronic means through Champion REIT's website or in printed form.

In accordance with the Operations Manual, it is an on-going responsibility of the Chief Investment Officer and Investment and Investor Relations Director to receive and handle investor comments/feedback. All comments/feedback and complaints about Champion REIT from an investor's perspective must be recorded in a register. Sufficient details of the person who made the comments/feedback and the measures to deal with the request must be recorded. When recording the comments/feedback, the next critical date in the comments/feedback handling procedure must be noted and adhered to, until the relevant matter has been resolved. The Directors will be kept informed at the Board meetings of the complaints being made (if any), the procedures being used to handle the complaints, and any remedial action taken or proposed to be taken. Any trends will be identified.

Investors and Unitholders may at any time direct their enquiries about the Trust to the Board by writing to the REIT Manager's office in Hong Kong at Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong or by email to info@eam.com.hk.

Distribution

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. The effective payout ratio for the year ended 31 December 2017 is 95%.

Matters to be decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things:

- (a) change in the REIT Manager's investment policies/strategies for Champion REIT;
- (b) disposal of any real estate investment of Champion REIT or shares in any special purpose vehicles holding such real estate investment within two years of acquisition;
- (c) any increase in the rate of the REIT Manager's fees above the permitted limit or changing the structure of the REIT Manager's fees;
- (d) any increase in the rate of the Trustee's fees above the permitted limit or change in the structure of the Trustee's fees;
- (e) certain modifications of the Trust Deed;
- (f) termination of Champion REIT;
- (g) merger of Champion REIT;
- (h) removal of Champion REIT's auditors and appointment of new auditors; and
- (i) removal of the Trustee.

Corporate Governance Report

As stated above, the quorum for passing a special resolution is two or more Unitholders present in person or by proxy registered as holding not less than 25% of the Units in issue and outstanding. A special resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at duly convened meeting and the votes shall be taken by way of poll.

Issue of Further Units

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the Trust Deed and the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights in certain circumstances up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate.

The REIT Manager and Champion REIT may issue Units or convertible instruments to a connected person, without the requirement of obtaining Unitholders approval under certain circumstances, including where: (i) the connected person receives a pro rata entitlement in its capacity as a Unitholder; or (ii) Units are issued to the connected person to satisfy part or all of the REIT Manager's remuneration; or (iii) Units are issued to the connected person pursuant to a reinvestment of distribution in accordance with the Trust Deed, subject to certain conditions.

Where the issue of Units would give rise to a conflict of interest on the part of the REIT Manager or its Connected Persons, the REIT Manager and its Connected Persons shall abstain from voting in relation to any issuance of Units.

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

Date	Particulars	No. of Units
1 January 2017	Number of issued Units	5,798,237,327
14 March 2017	Issue of new Units to the REIT Manager at the price of HK\$4.50 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$ 61,925,000 payable by Champion REIT for the six months ended 31 December 2016	13,761,193
30 August 2017	Issue of new Units to the REIT Manager at the price of HK\$5.79 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the manager's fee in respect of the real estate held by Champion REIT of approximately HK\$63,861,000 payable by Champion REIT for the six months ended 30 June 2017	11,029,600
31 December 2017	Number of issued Units	5,823,028,120

Risk Management and Internal Control Systems

The Board is entrusted with the overall responsibility on an ongoing basis for ensuring that appropriate and effective risk management and internal control systems are established and maintained for the REIT Manager. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are appropriate and effective risk management and internal control systems for the REIT Manager:

- (a) A good control environment including well defined organizational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the REIT Manager;
- (c) Appropriate risk mitigating activities including clear and written policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives of the REIT;
- (d) Effective information platforms to facilitate internal and external information flow; and
- (e) Structured Internal Audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the Internal Audit function, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

With adoption of a risk-based approach, Internal Audit takes the lead to evaluate the risk management and internal control systems of the REIT Manager by reviewing all its major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The 2-year audit plan of the Internal Audit function is approved by the Audit Committee. Internal Audit reports directly to the Audit Committee. Results of the audit reviews in the form of internal audit reports are submitted to the members of the Audit Committee for discussion at the Audit Committee meetings. The internal audit reports are also followed up by Internal Audit to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2017 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the REIT Manager has maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2017.

Corporate Governance Report

INTEREST OF, AND DEALINGS IN UNITS BY, DIRECTORS, THE REIT MANAGER OR THE SIGNIFICANT UNITHOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the “Code on Securities Dealings”) governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to the Code on Securities Dealings, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself/herself or others. The Code on Securities Dealings also extends to senior executives and officers of the REIT Manager. Specific enquiry has been made with the REIT Manager’s Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2017. The spouse of Ms. Wong Ka Ki, Ada (“Ms. Wong”), the Executive Director of the REIT Manager in July 2017, had acquired an aggregate of 1,200,000 Units, and in August 2017, disposed of 800,000 Units in Champion REIT (the “Dealings”). Upon becoming aware of the Dealings, Ms. Wong filed the disclosure of notification forms in compliance with Part XV of the SFO within three business days in December 2017.

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

Directors who are in possession of, aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any unpublished inside information must refrain from dealing in the Units as soon as they possess, become aware of or privy to such information until proper disclosure of the information in accordance with the REIT Code and any applicable provisions of the Listing Rules. Directors who are privy to relevant negotiations or agreements or any inside information should caution those Directors who are not so privy that there may be unpublished inside information and that they must not deal in Champion REIT’s securities until proper disclosure of information has been made.

The REIT Manager has also adopted procedures for the monitoring of disclosure of interests by the Directors, the Chief Executive Officer of the REIT Manager, and the REIT Manager, to whom the provisions of Part XV of the SFO shall apply.

Under the Trust Deed and by virtue of Part XV of the SFO, Unitholders will have a notifiable interest if their holdings of Units reach or exceed the notifiable percentage level (as defined in the SFO for the purposes of Part XV of the SFO), i.e. 5% of the Units then in issue, and will be required to notify the Stock Exchange and the REIT Manager of their holdings in Champion REIT. The REIT Manager keeps a register for these purposes and records in the register, against a person’s name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the REIT Manager.

BUY-BACK, SALE OR REDEMPTION OF CHAMPION REIT'S SECURITIES

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

REAL ESTATE SALE AND PURCHASE

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

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 28 February 2018 is set out below:

As at 28 February 2018	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$)	Mark-to-market Value (HK\$)	Weighting of GAV	Credit Rating
KERPRO 5 7/8 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296,000	63,315,000	0.0815%	N/A
NANFUN 4 1/2 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797,000	9,613,000	0.0124%	S&P BBB-
NANFUN 4 7/8 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,603,000	55,635,000	0.0716%	S&P BBB-
NWDEVL 5 1/4 02/26/21	Bond	HKEX	BVI	USD	41,574,000	40,740,000	0.0524%	N/A
PCCW 3 3/4 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641,000	49,418,000	0.0636%	S&P BBB
Total					224,911,000	218,722,000	0.2814%	

- 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.

COMPLIANCE WITH COMPLIANCE MANUAL

The REIT Manager has complied with the provisions of the Compliance Manual during the year.

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.

REVIEW OF ANNUAL REPORT

The annual report of Champion REIT for the year ended 31 December 2017 has been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2017. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2017 have been audited by the Independent Auditor, Messrs. Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of Champion REIT for the year ended 31 December 2017 is set out in the Independent Auditor's Report on pages 110 to 114 of this Annual Report.

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 AND/OR THE SFK CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group for the 12 months ended 31 December 2017 ("Year").

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 Annual Report on pages 106 to 108. 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.

SFK Construction Holdings Limited ("SFK") is a connected person of Champion REIT by virtue of being an associate (as defined under the REIT Code) of Mr. Lo Kai Shui, a director of the REIT Manager, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK. The SFK Connected Persons Group means those who are connected persons of Champion REIT by virtue of being companies and entities held or controlled by SFK.

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	439,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ¹	241,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ²	4,445,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction ³	6,246,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	56,000
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	14,843,000
Total			26,270,000⁶

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ¹	48,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ²	669,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income ³	844,000
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ⁴	1,725,000
Total			3,286,000⁶

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,172,000
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Improvement works of investment properties	59,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	7,026,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Improvement works of investment properties	644,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	101,706,000 ⁵
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	7,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Improvement works of investment properties	1,235,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Marketing expense	23,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	260,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	2,011,000
Total			114,143,000⁶

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 Year end date.
2. Security deposits by way of bank guarantee and cash in an aggregate amount of approximately HK\$1,344,000 provided by Eagle Property Management (CP) Limited were held by the Trust as at the Year end date.
3. A security deposit by way of cash of approximately HK\$1,519,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Year end date.
4. Security deposits by way of corporate guarantee and cash in the amount of HK\$2,214,000 and HK\$2,214,000 respectively provided by Best Come Limited were held by the Trust as at the Year end date.
5. Out of this HK\$101,706,000, approximately HK\$98,167,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$3,539,000 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; so as to enable the Mall Estate Manager to make payment of estate management expenses.
6. The annual value of the Connected Party Transactions were within the respective annual limits set out in the following table as approved by the unitholders in the Extraordinary General Meeting held on 13 December 2016:

		Annual Limit for the year ended 31 December 2017 HK\$
I.	Revenue	
	Rental income	69,251,000
	Building management fee	8,338,000
	Total:	77,589,000
II.	Expenditure	
	Estate management transactions	213,555,000
	Potential property management agreement(s) transactions	37,042,000
	Total:	250,597,000

PRE-EXISTING AGREEMENTS

The following tables set forth information on the agreements previously entered into with the Great Eagle Connected Persons Group and/or the SFK 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 and/or the SFK 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 Year 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	98,167,000
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	3,539,000

Connected Party Transactions Report

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 Year 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 ¹	3,027,000
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 ²	49,071,000
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	106,249,000
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 and contribution ³	163,329,000 ⁴

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 Year 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 Year 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 Year end date.
4. Out of this HK\$163,329,000, approximately HK\$153,884,000 represented the amount of building management fee paid under the DMC for Three Garden Road, approximately HK\$9,445,000 represented the amount of building management fee contribution for curtain wall system's perimeter sealant replacement at Three Garden Road.

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\$259,958,000 being the 12% of the net property income of Champion REIT for such services rendered during the Year 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 2017. For the Year, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$129,979,000 and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$129,979,000.

Other Miscellaneous Expenditure

An amount of HK\$223,000 in respect of the venue rental fee for investor relations event, 2017 annual general meeting and extraordinary general meeting during the Year was paid by Champion REIT to Best Come 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 Year.

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 Report

Connected Party Transactions – Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	1,614,000
HSBC Group	Trustee Connected Persons	Bank charge	130,000
HSBC	Trustee Connected Persons	Interest expense of interest rate swap	11,883,000
Hang Seng ¹	Trustee Connected Persons	Loan interest/expense	152,138,000

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

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

Note:

1. Hang Seng is a subsidiary of HSBC. It acts as the facility agent for (a) the term loan and revolving credit facilities of HK\$5,500 million; and (b) the term loan facility of HK\$5,800 million, with a total amount of HK\$11,000 million being drawn down on 28 June 2016 and an amount of HK\$775 million being prepaid on 29 June 2017. The total outstanding loans as at 31 December 2017 amounted to HK\$10,225 million. Syndicates of lenders of all the facilities include Hang Seng and HSBC. Under the respective term loans, Three Garden Road was mortgaged to the syndicates of lenders as security.

Connected Party Transaction – Corporate Finance Transaction with HSBC Group

During the year, CP Success Limited entered into interest rate swap contracts with HSBC. The total notional amount in respect of such swap contracts with HSBC was HK\$1,900,000,000.

Connected Party Transactions – Others

During the Year, the trustee fee of approximately HK\$12,548,000 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 Year, the valuation fee of approximately HK\$335,000 had been incurred for services rendered by Knight Frank Petty Limited in its capacity as the principal valuer of Champion REIT.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE REIT MANAGER

The Independent Non-executive Directors of the REIT Manager confirm that they have reviewed all relevant connected party transactions (including those connected party transactions with the Great Eagle Connected Persons Group, the SFK Connected Persons Group, the Trustee Connected Persons and the HSBC Group) during the Year as disclosed above and they are satisfied that these transactions have been entered into:

- (i) in the ordinary and usual course of business of Champion REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Champion REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the REIT Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders of Champion REIT as a whole.

REPORT FROM AUDITOR OF CHAMPION REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Champion REIT was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions on rental income, building management fee income, estate management transactions, and ordinary banking and financial services in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code granted by the Securities and Futures Commission of Hong Kong ("SFC"). A copy of auditor's letter has been provided by the REIT Manager to the SFC.

Hong Kong, 14 February 2018

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 31 December 2017, 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 ⁶	Percentage of Issued Units ⁸
Directors and Chief Executive of the REIT Manager		
Lo Ka Shui	3,846,908,891 ¹	66.06
Cheng Wai Chee, Christopher	13,424,730 ⁴	0.23
Wong Ka Ki, Ada	400,000 ⁵	0.01
REIT Manager <i>(also a substantial Unitholder)</i>		
Eagle Asset Management (CP) Limited	386,005,526	6.63
Substantial Unitholders		
Great Eagle Holdings Limited	3,825,214,891 ²	65.69
HSBC International Trustee Limited	3,825,813,710 ³	65.70
HKSCC Nominees Limited	2,322,618,463 ⁶	39.89
Top Domain International Limited	1,420,416,628	24.39
Keen Flow Investments Limited	1,071,375,933	18.40
Bright Form Investments Limited	680,232,558	11.68

Notes:

1. Among these 3,846,908,891 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;
- (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) 3,825,214,891 Units were indirectly held by Great Eagle as explained in Note 2 below. Dr. Lo Ka Shui is the Chairman, Managing Director and a substantial shareholder of Great Eagle.

The unitholdings of Dr. Lo Ka Shui increased by 11,229,600 Units as compared with the position as at 30 June 2017.

2. The 3,825,214,891 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 31 December 2017 and 30 June 2017 respectively:

Name	Number of Units/ Underlying Units Held As at 31 December 2017	Number of Units/ Underlying Units Held As at 30 June 2017
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	386,005,526	374,975,926
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	2,736,000	2,536,000
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 15 September 2017) received from HSBC International Trustee Limited ("HITL"). When compared with the position as at 30 June 2017, the unitholdings of HITL increased by 27,467,793 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 33.38% interests in Great Eagle as at 31 December 2017. 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) and Mr. Lo Kai Shui (a director of the REIT Manager) are among the discretionary beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his own capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 27.08% voting right in the capital of Great Eagle as at 31 December 2017.

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 30 June 2017.
5. These Units were held by Ms. Wong Ka Ki, Ada's spouse. When compared with the position as at 30 June 2017, the unitholdings of Ms. Wong Ka Ki, Ada increased by 400,000 Units.
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 decreased by 9,661,642 Units when compared with the position as at 30 June 2017.
7. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units.
8. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,823,028,120 as at 31 December 2017.

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 31 December 2017 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.

Disclosure Of Interests

HOLDINGS OF OTHER CONNECTED PERSON

As at 31 December 2017, 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/ Underlying Units Held	Percentage of Issued Units ²
HSBC Group	76,967 ¹	0.00

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 27,810,000 Units as compared with the position as at 30 June 2017.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,823,028,120 as at 31 December 2017.

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 31 December 2017.

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 31 December 2017, Great Eagle owned 65.69% interests in Champion REIT and 62.29% 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 31 December 2017 are disclosed as follows:

Great Eagle

Dr. Lo Ka Shui had a personal interest in 49,250,440 shares and 1,325,000 share options and a corporate interest in 75,860,545 shares of Great Eagle as at 31 December 2017. He is the founder of a discretionary trust which owned 60,009,418 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 229,844,851 shares in Great Eagle as at 31 December 2017.

Mr. Lo Kai Shui had a personal interest in 562,308 shares and 500,000 share options and a corporate interest in 577,438 shares of Great Eagle as at 31 December 2017. He is also a discretionary beneficiary of a discretionary trust which owned 229,844,851 shares in Great Eagle as at 31 December 2017.

Mr. Ip Yuk Keung, Albert had a personal interest in 10,000 shares and 50,000 share options of Great Eagle as at 31 December 2017.

Ms. Wong Ka Ki, Ada had a personal interest in 170,000 share options of Great Eagle as at 31 December 2017.

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 1,300,810,583 share stapled units of Langham held by Great Eagle as at 31 December 2017 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 31 December 2017.

Mr. Ip Yuk Keung, Albert had a joint interest with his spouse in 2,015,000 share stapled units of Langham as at 31 December 2017.

Financials

Independent Auditor's Report	110
Consolidated Income Statement	115
Consolidated Statement of Comprehensive Income	116
Consolidated Statement of Financial Position	117
Consolidated Statement of Changes in Net Assets Attributable to Unitholders	118
Distribution Statement	119
Consolidated Statement of Cash Flows	120
Notes to the Consolidated Financial Statements	121
Major Real Estate Agents and Contractors	167
Performance Table	168

Independent Auditor's Report

Deloitte.

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TO THE UNITHOLDERS OF 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))

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 115 to 166, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2017 and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We have identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements, as a whole, combined with the significant judgments associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties amounted to HK\$76,704,000,000, representing 97.8% of the Group's total assets, with its change in fair value included in the consolidated income statement. During the year, an increase in fair value of investment properties amounted to HK\$9,850,151,000.

The Group's investment properties are carried at fair value based on the valuations performed by an independent qualified professional valuer. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations are dependent on key inputs, together with significant assumptions, that involve judgments, including capitalisation rates and market rents. Eagle Asset Management (CP) Limited (the "Manager" of Champion REIT) has reviewed and exercised its judgment on the key inputs to the valuations and the results.

Our procedures in relation to assessing the appropriateness of the valuation of investment properties included:

- evaluating the competence, capabilities, and objectivity of the independent qualified professional valuer;
- understanding the independent qualified professional valuer's valuation process and methodology (including any limitations of scope imposed by the Manager), the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used in the valuations;
- evaluating the reasonableness of the methodology and assumptions to industry norms;
- assessing the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the respective underlying existing tenancy agreements; (ii) comparing to relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the neighbourhood; and
- performing analysis on the key inputs to evaluate the results on the valuations.

Independent Auditor's Report

Other Information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Those Charged with Governance for the Consolidated Financial Statements

The Manager is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

Auditor's Responsibility for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kuen.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

14 February 2018

Consolidated Income Statement

For the year ended 31 December 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
Rental income	6	2,396,316	2,267,340
Building management fee income		268,878	258,185
Rental related income	7	34,705	31,569
Total revenue		2,699,899	2,557,094
Property operating expenses	8	(533,585)	(530,580)
Net property income		2,166,314	2,026,514
Interest income		17,729	12,094
Manager's fee	9	(259,958)	(243,182)
Trust and other expenses		(20,667)	(22,546)
Increase in fair value of investment properties	14	9,850,151	2,001,856
Finance costs	10	(348,638)	(347,897)
Profit before tax and distribution to unitholders	11	11,404,931	3,426,839
Income taxes	12	(265,279)	(245,257)
Profit for the year, before distribution to unitholders		11,139,652	3,181,582
Distribution to unitholders		(1,412,730)	(1,330,794)
Profit for the year, after distribution to unitholders		9,726,922	1,850,788
Basic earnings per unit	13	HK\$1.92	HK\$0.55

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
Profit for the year, after distribution to unitholders	9,726,922	1,850,788
Other comprehensive (expense)/income:		
<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	(39,856)	105,378
Reclassification of fair value adjustments to profit or loss	3,626	(3,552)
	(36,230)	101,826
Total comprehensive income for the year	9,690,692	1,952,614

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Investment properties	14	76,704,000	66,841,500
Notes receivables	15	220,531	221,121
Derivative financial instruments	21	36,587	32,408
Total non-current assets		76,961,118	67,095,029
Current assets			
Trade and other receivables	16	294,910	316,391
Tax recoverable		6,421	3,716
Bank balances and cash	17	1,190,389	957,531
Total current assets		1,491,720	1,277,638
Total assets		78,452,838	68,372,667
Current liabilities			
Trade and other payables	18	1,338,049	1,280,344
Deposits received		652,685	575,699
Tax liabilities		38,921	48,421
Distribution payable		730,979	696,481
Total current liabilities		2,760,634	2,600,945
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	19	10,172,623	10,924,600
Medium term notes	20	4,612,054	3,814,384
Derivative financial instruments	21	17,674	–
Deferred tax liabilities	22	538,611	497,975
Total non-current liabilities, excluding net assets attributable to unitholders		15,340,962	15,236,959
Total liabilities, excluding net assets attributable to unitholders		18,101,596	17,837,904
Net assets attributable to unitholders		60,351,242	50,534,763
Number of units in issue ('000)	23	5,823,028	5,798,237
Net asset value per unit	25	HK\$10.36	HK\$8.72

The consolidated financial statements on pages 115 to 166 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT"), on 14 February 2018 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

WONG Ka Ki, Ada
DIRECTOR

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2017

	Issued units HK\$'000 (note 23)	Hedging reserve HK\$'000	Others HK\$'000 (note)	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2016	24,038,427	(71,783)	5,757,943	18,743,560	48,468,147
Profit for the year, after distribution to unitholders	–	–	–	1,850,788	1,850,788
Cash flow hedges	–	101,826	–	–	101,826
Total comprehensive income for the year	–	101,826	–	1,850,788	1,952,614
Issue of units	114,002	–	–	–	114,002
Net assets attributable to unitholders as at 31 December 2016	24,152,429	30,043	5,757,943	20,594,348	50,534,763
Profit for the year, after distribution to unitholders	–	–	–	9,726,922	9,726,922
Cash flow hedges	–	(36,230)	–	–	(36,230)
Total comprehensive income for the year	–	(36,230)	–	9,726,922	9,690,692
Issue of units	125,787	–	–	–	125,787
Net assets attributable to unitholders as at 31 December 2017	24,278,216	(6,187)	5,757,943	30,321,270	60,351,242

Note: "Others" represent

- (i) Excess of fair value of property interests acquired over acquisition costs from unitholders amounting to HK\$5,752,658,000 in prior years; and
- (ii) Pursuant to the Deed of Amendment of Distribution Entitlement Waiver Deed dated 14 February 2008, the undertakings made by Top Domain International Limited, a wholly owned subsidiary of Great Eagle Holdings Limited ("Great Eagle"), under the Distribution Entitlement Waiver Deed dated 26 April 2006 in respect of distribution periods in 2008 ceased to be effective in consideration of a total amount of HK\$86,185,000, of which HK\$5,285,000 was retained.

Distribution Statement

For the year ended 31 December 2017

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

Notes:

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
Operating activities		
Profit before tax and distribution to unitholders	11,404,931	3,426,839
Adjustments for:		
Increase in fair value of investment properties	(9,850,151)	(2,001,856)
Manager's fee paid and payable in units	129,979	121,591
Interest income	(17,729)	(12,094)
Finance costs	348,638	347,897
Exchange difference	(1,515)	(86)
Operating cash flow before movements in working capital	2,014,153	1,882,291
Decrease (increase) in trade and other receivables	21,347	(60,037)
Increase (decrease) in trade and other payables	43,487	(3,112)
Increase in deposits received	76,986	6,043
Cash generated from operations	2,155,973	1,825,185
Interest paid	(312,220)	(272,805)
Hong Kong Profits Tax paid	(236,848)	(178,882)
Net cash from operating activities	1,606,905	1,373,498
Investing activities		
Interest received	20,269	13,644
Additions to investment properties	(12,349)	(56,644)
Net cash from (used in) investing activities	7,920	(43,000)
Financing activities		
Bank origination fees	–	(86,050)
New secured bank borrowings raised	–	11,000,000
Repayment of secured bank borrowings	(775,000)	(10,950,000)
Proceeds from issuance of medium term notes	775,000	200,000
Medium term notes issue cost	(3,813)	(144)
Distribution paid	(1,378,154)	(1,229,693)
Net cash used in financing activities	(1,381,967)	(1,065,887)
Net increase in cash and cash equivalents	232,858	264,611
Cash and cash equivalents at beginning of the year	957,531	692,920
Cash and cash equivalents at end of year, represented by bank balances and cash	1,190,389	957,531

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL

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

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

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

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

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

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

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 performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing activities; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 33. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 33, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

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

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

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial Instruments: Recognition and Measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

HKFRS 9 "Financial Instruments" (continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Manager anticipates that following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as held-to-maturity investments and loans and receivables carried at amortised cost: these are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;
- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment:

In general, the Manager anticipates that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon the application of HKFRS 9 by the Group.

Based on the assessment by the Manager, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening net assets attributable to unitholders (profit less distribution) at 1 January 2018.

Hedge accounting:

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedge relationships upon application of HKFRS 9. Accordingly, the Manager anticipates that the application of the new hedging requirements may result in more disclosures about the Group's risk management activities but the application may not have a material impact on the Group's current hedge designation and hedge accounting.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

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

HKFRS 15 “Revenue from Contracts with Customers”(continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in the relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Manager anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the Manager does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

HKFRS 16 "Leases" (continued)

In addition, as at 31 December 2017, the Group currently consider refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Except as describe above, the Manager anticipates that the application of other new and amendments to HKFRSs and Interpretations will have no material impact on the results and the financial position of the Group in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Champion REIT and the entities controlled by Champion REIT. Control is achieved when Champion REIT:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a controlled entity begins when the Group obtains control over the controlled entity and ceases when the Group loses control of the controlled entity. Specifically, income and expenses of controlled entities acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains controls until the date when the Group ceases to control the controlled entity.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as held-to-maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market and that the Group has the positive intention and ability to hold to maturity. The Group designated notes receivables as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policies on impairment losses on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio beyond the invoice date, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss is recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Instruments, or components of instruments, that impose on the Champion REIT an obligation to deliver to the holders a pro-rata share of the net assets only on liquidation are presented as equity only when certain specific criteria are met.

In accordance with the Trust Deed, Champion REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period and has a limited life of 80 years less one day from the date of its commencement. Therefore, in addition to the contractual distribution to unitholders, the units issued by Champion REIT contain a contractual obligation upon its termination to distribute a share of all net cash proceeds derived from the sale or realisation of its assets less any liabilities to its unitholders in accordance with their proportionate interests in Champion REIT at the date of its termination. Accordingly, the units issued by Champion REIT are compound instruments that contain both equity and liability components.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, distribution payable, secured bank borrowings and medium term notes) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Unit issue costs

The transaction costs relating to initial public offering, listing of units of Champion REIT and acquisition of properties are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transaction that otherwise would have been avoided. Other transaction costs are recognised as an expense.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in net assets attributable to unitholders (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in the hedging reserve at that time remains in net assets attributable to unitholders and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in net assets attributable to unitholders is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant leases. Lease incentives provided to the lessees are amortised on a straight-line basis over the respective term of the lease.

Building management fee income is recognised when building management services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

All borrowing costs in relation to non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in net assets attributable to unitholders respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Manager has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Held-to-maturity investments

The Manager has reviewed the Group's held-to-maturity investments in the light of its working capital and liquidity requirements and confirmed the Group's positive intention and ability to hold those assets to maturity. The aggregate carrying amount of the held-to-maturity investments was HK\$220,531,000 (2016: HK\$221,121,000). Details of these assets are set out in note 15.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Manager has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Manager has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Management reports the valuation report and findings to the Manager half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 14.

In addition, as described in note 21, the fair values of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps and interest rate swaps are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

Where the actual future market data varies, a material adjustment on the fair values of investment properties, cross currency swaps and interest rate swaps may arise. In relying on the valuation reports, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

5. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2017

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

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2016

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,297,618	370,100	889,376	2,557,094
Segment results – Net property income	1,039,647	295,100	691,767	2,026,514
Interest income				12,094
Manager's fee				(243,182)
Trust and other expenses				(22,546)
Increase in fair value of investment properties				2,001,856
Finance costs				(347,897)
Profit before tax and distribution to unitholders				3,426,839
Income taxes				(245,257)
Profit for the year, before distribution to unitholders				3,181,582
Distribution to unitholders				(1,330,794)
Profit for the year, after distribution to unitholders				1,850,788
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	1,690,180	75,000	236,676	2,001,856

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. 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
For the year ended 31 December 2017				
Additions to non-current assets	10,402	–	1,947	12,349
For the year ended 31 December 2016				
Additions to non-current assets	52,820	–	3,824	56,644

Segment assets and liabilities

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

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

Geographical information

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

The Group's revenue from external customers and information about its non-current assets are all located in Hong Kong.

Information about major tenants

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

6. RENTAL INCOME

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

7. RENTAL RELATED INCOME

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

8. PROPERTY OPERATING EXPENSES

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

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

10. FINANCE COSTS

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

11. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

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

12. INCOME TAXES

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	225,173	204,851
– (Over) underprovision in prior years	(530)	1,720
	224,643	206,571
Deferred tax (note 22)		
– Current year	40,636	38,686
	265,279	245,257

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

The income taxes for the year can be reconciled to the profit before tax and distribution to unitholders as follows:

	2017 HK\$'000	2016 HK\$'000
Profit before tax and distribution to unitholders	11,404,931	3,426,839
Tax at the domestic income tax rate of 16.5%	1,881,814	565,428
Tax effect of income not taxable for tax purpose	(1,628,438)	(334,586)
Tax effect of expenses not deductible for tax purpose	13,308	12,556
(Over) underprovision in prior years	(530)	1,720
Tax effect of tax losses not recognised	–	139
Utilisation of tax loss previously not recognised	(875)	–
Income taxes for the year	265,279	245,257

13. BASIC EARNINGS PER UNIT

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

14. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
FAIR VALUE		
At the beginning of the year	66,841,500	64,783,000
Additions during the year	12,349	56,644
Increase in fair value	9,850,151	2,001,856
	76,704,000	66,841,500

The fair value of the Group's investment properties at 31 December 2017 and 31 December 2016 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited, 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 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 31 December 2017, certain investment properties with total fair value of HK\$46,161,000,000 (2016: HK\$39,330,000,000) have been mortgaged as security for credit facilities as detailed in note 19.

14. INVESTMENT PROPERTIES (CONTINUED)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value 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.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2017 and 2016					
Three Garden Road	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.6% for office and 4.25% for retail (2016: 3.6% for office and 4.25% for retail).	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$5,626 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK\$7,438 million (capitalisation rate of 3.1% for office and 3.75% for retail) respectively (2016: decrease by approximately HK\$4,774 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK\$6,313 million (capitalisation rate of 3.1% for office and 3.75% for retail) respectively).
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$2,144 million and decrease by approximately HK\$2,142 million, respectively (2016: increase by approximately HK\$1,807 million and decrease by approximately HK\$1,806 million, respectively).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2017 and 2016 (continued)					
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.75% for retail and 4.0% for office (2016: 4.0% for both the retail and office).	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$3,496 million (capitalisation rate of 4.25% for retail and 4.5% for office) and increase by approximately HK\$4,519 million (capitalisation rate of 3.25% for retail and 3.5% for office) respectively (2016: decrease by approximately HK\$3,000 million (capitalisation rate of 4.5%) and increase by approximately HK\$3,879 million (capitalisation rate of 3.5%) respectively).
		The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Market rent, taking into account direct market comparables within the property.		
				The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,394 million and decrease by approximately HK\$1,426 million, respectively (2016: increase by approximately HK\$1,251 million and decrease by approximately HK\$1,235 million, respectively).

15. NOTES RECEIVABLES

As at 31 December 2017, the Group held unsecured and listed bonds with aggregate carrying amounts of HK\$220,531,000 (2016: HK\$221,121,000), which are denominated in United States dollar with nominal values ranging from US\$1,200,000 to US\$7,640,000 (2016: 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% (2016: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (2016: February 2021 to May 2024).

16. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

17. BANK BALANCES AND CASH

	2017 HK\$'000	2016 HK\$'000
Cash on hand	2	2
Cash at bank	412,887	390,529
Time deposits with original maturity within three months	777,500	567,000
	1,190,389	957,531

Bank balances carry interest at market rates of 0.001% to 0.31% (2016: 0.001% to 0.31%) per annum. Time deposits have original maturity of less than three months carry interest at market rates which range from 0.95% to 1.975% (2016: 0.85% to 1.90%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

18. TRADE AND OTHER PAYABLES

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

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

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

	2017 HK\$'000	2016 HK\$'000
0-3 months	103,854	75,117

19. SECURED BANK BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Secured bank borrowings	10,225,000	11,000,000
Loan front-end fee	(52,377)	(75,400)
	10,172,623	10,924,600
The maturity of the above secured bank borrowings is as follows:		
More than one year but not exceeding two years	4,413,126	–
More than two years but not exceeding five years	5,759,497	10,924,600
	10,172,623	10,924,600

On 29 June 2017, the Group early prepaid an amount of HK\$775,000,000 of its secured term loan under the term loan and revolving credit facilities of HK\$5,500,000,000.

19. SECURED BANK BORROWINGS (CONTINUED)

As at 31 December 2017, the outstanding secured bank borrowings comprise the following:

- (i) HK\$4,425,000,000 (2016: HK\$5,200,000,000) secured term loan bears interest at a floating rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.83% per annum and is repayable in full in June 2019; and
- (ii) HK\$5,800,000,000 (2016: HK\$5,800,000,000) secured term loan bears interest at a floating rate of HIBOR plus 0.95% per annum and is repayable in full in June 2021.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$46,161,000,000 as at 31 December 2017 (2016: HK\$39,330,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the banks.

20. MEDIUM TERM NOTES

	2017 HK\$'000	2016 HK\$'000
Medium term notes	4,636,866	3,839,146
Origination fees	(24,812)	(24,762)
	4,612,054	3,814,384

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 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 31 December 2017, the outstanding medium term notes comprised the following:

- (i) 10-year unsecured notes at a fixed rate of 3.75% per annum with principal of US\$386,400,000 (2016: US\$386,400,000) (the "USD MTN"). The issued medium term note is repayable in full on 17 January 2023. The foreign currency rate and interest rate are fixed by the use of cross currency swaps.
- (ii) 7-year unsecured notes at a floating rate of 3-month HIBOR plus 1.275% per annum with principal of HK\$643,000,000 (2016: HK\$643,000,000). The issued medium term note is repayable in full on 26 March 2022.
- (iii) 8-year unsecured notes at a fixed rate of 2.75% per annum with principal of HK\$200,000,000 (2016: HK\$200,000,000). The issued medium term note is repayable in full on 7 October 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

20. MEDIUM TERM NOTES (CONTINUED)

- (iv) 8-year unsecured notes at a fixed rate of 2.85% per annum with principal of HK\$575,000,000. The issued medium term note is repayable in full on 20 June 2025.
- (v) 8-year unsecured notes at a fixed rate of 2.85% per annum with principal of HK\$200,000,000. The issued medium term note is repayable in full on 23 June 2025.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK\$'000	2016 HK\$'000
Non-current assets		
Cash flow hedge – cross currency swaps	–	32,408
Cash flow hedge – interest rate swaps	36,587	–
	36,587	32,408
Non-current liabilities		
Cash flow hedge - cross currency swaps	17,674	–

The Group entered into cross currency swaps with total notional amount of US\$386,400,000 with The Hongkong and Shanghai Banking Corporation Limited, a connected person as defined in the REIT Code, to minimise the exposure to fluctuations in foreign currency exchange rates and interest rate of the USD MTN, which is denominated in United States dollar, in respect of the principal and fixed rate interest payments.

The cross currency swaps and the corresponding medium term note have similar terms and the Manager considered that the cross currency swaps were highly effective hedging instruments.

Major terms of the cross currency swaps are set out below:

Notional amount	Maturity	Exchange rate	Interest rate	Interest period	Total hedged item
US\$200,000,000	17 January 2023	HK\$7.7598: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$100,000,000	17 January 2023	HK\$7.76: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$50,000,000	17 January 2023	HK\$7.7613: US\$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US\$36,400,000	17 January 2023	HK\$7.7541: US\$1	3.75%	Quarterly	Medium term note principal and coupon payments

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group also entered into interest rate swaps with various financial institutions of a total notional amount of HK\$3,450,000,000 (including a total notional amount of HK\$1,900,000,000 with The Hongkong Shanghai Banking Corporation Limited, a connected person as defined in the REIT Code) to minimise its exposure to fluctuations in interest rates of its variable interest bearing secured term loan.

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.

As at 31 December 2017, major terms of the interest rate swaps are set out below:

Total notional amount	Maturity	Floating interest rate	Fixed interest rates	Interest period
HK\$1,550,000,000	28 June 2021	HIBOR	1.42% to 1.86%	Monthly
HK\$1,900,000,000	28 June 2021	HIBOR + 0.95%	2.20% to 2.635%	Monthly

The fair value of the above derivatives is based on the valuation 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.

During the year, the loss on changes in fair value of the cross currency swaps and interest rate swaps under cash flow hedges amounting to HK\$39,856,000 (2016: gain on changes of HK\$105,378,000) has been recognised in other comprehensive income, and the fair value changes of the hedging instruments amounting to HK\$3,626,000 (2016: HK\$3,552,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

22. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2016	459,289	–	459,289
Charge to consolidated income statement during the year	38,686	–	38,686
As at 31 December 2016	497,975	–	497,975
Charge to consolidated income statement during the year	40,766	(130)	40,636
As at 31 December 2017	538,741	(130)	538,611

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

As at 31 December 2017, the Group has unutilised tax losses amounting to HK\$502,562,000 (2016: HK\$507,082,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$785,000 (2016: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$501,777,000 (2016: HK\$507,082,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

23. ISSUED UNITS

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

Note:

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

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

24. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2017, 24,790,793 (2016: 26,555,566) units were issued as payment for the Manager's fee, amounting to HK\$125,787,000 (2016: HK\$114,002,000).

25. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2017 of HK\$60,351,242,000 (2016: HK\$50,534,763,000) by the number of units in issue of 5,823,028,120 as at 31 December 2017 (2016: 5,798,237,327).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

26. NET CURRENT LIABILITIES

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

27. TOTAL ASSETS LESS CURRENT LIABILITIES

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

28. OPERATING LEASE COMMITMENTS

At 31 December 2017, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	2,172,249	2,094,540
In the second to fifth years inclusive	2,973,286	3,525,293
Over five years	169,941	256,749
	5,315,476	5,876,582

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. Contingent rental income of HK\$116,701,000 (2016: HK\$86,278,000) was received for the year.

Certain future minimum lease payments are calculated based on the estimated market rent to be received from the contracted tenants during specified time intervals of the contracted period as stipulated in the lease agreement.

29. CAPITAL COMMITMENT

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

30. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2017 HK\$'000	2016 HK\$'000
<i>Rental income</i>			
The Great Eagle Properties Management Company, Limited	(a)	6,302	6,062
Eagle Asset Management (CP) Limited	(a)	680	450
Eagle Property Management (CP) Limited	(a)	4,445	4,373
Best Come Limited	(a)	14,843	9,895
<i>Interest income</i>			
HSBC Group ^{1,4}	(b)	1,614	1,212
<i>Building management fee income</i>			
The Great Eagle Properties Management Company, Limited	(a)	844	790
Eagle Asset Management (CP) Limited	(a)	48	6
Eagle Property Management (CP) Limited	(a)	669	609
Best Come Limited	(a)	1,725	1,229
<i>Building management expenses and car park operating expenses</i>			
The Great Eagle Properties Management Company, Limited	(a)	265,292	260,085
Longworth Management Limited	(a)	49,071	45,333
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(a)	73,379	66,683
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(a)	26,195	34,593
Knight Frank Petty Limited ⁴	(c)	–	45
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(a)	1,133	2,048
Toptech Co. Limited	(a)	892	1,760
Keysen Engineering Company, Limited	(a)	86	220
The Great Eagle Properties Management Company, Limited	(a)	7	6

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2017 HK\$'000	2016 HK\$'000
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited ⁴	(a)	7,026	1,393
Toptech Co. Limited ⁴	(a)	2,011	–
Keysen Engineering Company, Limited ⁴	(a)	1,172	226
The Great Eagle Properties Management Company, Limited ⁴	(a)	7	6
<i>Improvement works of investment properties</i>			
The Great Eagle Engineering Company Limited ⁴	(a)	644	–
Keysen Engineering Company, Limited ⁴	(a)	59	–
The Great Eagle Properties Management Company, Limited ⁴	(a)	1,235	–
<i>Property miscellaneous expenses</i>			
GE (LHIL) Lessee Limited	(a)	23	15
Clever Gain Investment Limited	(a)	260	243
<i>Trust and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited ⁴	(b)	12,548	11,643
Best Come Limited	(a)	223	45
HSBC Group ^{1,4}	(b)	130	121
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(a) & (d)	259,958	243,182
<i>Finance costs</i>			
Hang Seng Bank Limited ^{2,4}	(b)	175,161	199,988
The Hongkong and Shanghai Banking Corporation Limited ⁴	(b)	11,883	17,439
<i>Valuation fee</i>			
Knight Frank Petty Limited ⁴	(c)	335	355

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	2017 HK\$'000	2016 HK\$'000
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(a) & (e)	48,674	50,091
Longworth Management Limited	(a) & (e)	15,311	15,311
Toptech Co. Limited	(a) & (e)	708	1,036
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(a) & (e)	15,065	18,910
Eagle Asset Management (CP) Limited	(a) & (e)	132,235	123,851
The Great Eagle Engineering Company Limited	(a) & (e)	5,391	756
The Great Eagle Properties Management Company, Limited	(a) & (e)	36,278	14,185
Keysen Engineering Company, Limited	(a) & (e)	483	367
Cordis Hong Kong Limited	(a) & (e)	–	3
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
Eagle Property Management (CP) Limited	(a) & (f)	392	360
The Great Eagle Properties Management Company, Limited	(a)	1,519	1,519
Best Come Limited	(a)	2,214	2,244
Eagle Asset Management (CP) Limited	(a)	117	31

Notes:

- (a) These companies are the subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
 - (b) These companies are the Trustee or associates³ of the Trustee.
 - (c) This company is the principal valuer of Champion REIT or its associates³.
 - (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 2017 and 31 December 2017.
 - (e) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
 - (f) A bank guarantee of HK\$952,000 (2016: HK\$927,000) was received in lieu of deposit.
- ¹ 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.
- ² On 28 June 2016, term loan facilities of HK\$1,900 million, HK\$3,700 million and HK\$3,800 million, together with the term loan and revolving credit facilities of HK\$2,500 million were refinanced by (i) term loan and revolving credit facilities of HK\$5,500 million and (ii) a term loan facility of HK\$5,800 million with an upfront payment of HK\$28,050,000 and HK\$58,000,000, respectively. Hang Seng Bank Limited is the facility agent under the new banking facilities.
- ³ As defined in the REIT Code.
- ⁴ Connected party transactions as defined in the REIT Code.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	–	32,408
Interest rate swaps	36,587	–
	36,587	32,408
<i>Held-to-maturity investments</i>		
Notes receivables	220,531	221,121
<i>Loans and receivables</i>		
Trade and other receivables	27,801	24,515
Bank balances and cash	1,190,389	957,531
	1,218,190	982,046
Financial liabilities		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	17,674	–
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	313,039	265,910
Distribution payable	730,979	696,481
Secured bank borrowings	10,172,623	10,924,600
Medium term notes	4,612,054	3,814,384
	15,828,695	15,701,375

(b) Financial risks management objectives and policies

The Group's major financial instruments include secured bank borrowings, medium term notes, notes receivables, trade and other receivables, bank balances and cash, trade and other payables, distribution payable and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (continued)

(i) *Currency risk*

The Group has certain medium term notes denominated in a foreign currency (i.e. US\$) which expose the Group to foreign currency risk. The Group manages its foreign currency risk by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term notes. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness. As the Group's foreign currency risk is hedged, no sensitivity analysis has been prepared accordingly.

(ii) *Interest rate risk*

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of HIBOR arising from the Group's variable-rate secured bank borrowings and medium term notes (see notes 19 and 20 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, notes receivables and medium term notes.

The Group manages its interest rate risk for the medium term notes by entering into cross currency swaps to hedge against its exposures to interest rate on certain medium term notes as detailed above.

The Group manages its interest rate risk for variable-rate secured bank borrowings by entering into interest rate swaps to hedge against its exposures to interest rate on certain variable-rate secured bank borrowings. The Manager will continue to monitor the interest rate risk to the Group and take further actions by entering interest rate swaps to hedge against any foreseeable interest rate exposure, if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivatives instruments. For variable-rate term loans and medium term notes, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2016: 50) basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (continued)

(ii) **Interest rate risk (continued)**

Sensitivity analysis (continued)

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit before tax and distribution to unitholders for the year ended 31 December 2017 would decrease/increase by HK\$37,090,000 (2016: HK\$58,215,000). This is mainly attributable to the Group's exposure to interest rates on its secured variable-rate term loans and medium term notes which are not hedged and have an aggregate amount of HK\$7,418,000,000 (2016: HK\$11,643,000,000).

(iii) **Credit risk**

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the property manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Manager regularly reviews the recoverable amount of each individual trade debtor and the credit ratings of notes receivables to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and notes receivables, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iv) **Liquidity and capital risk management**

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the Manager observes the REIT Code issued by the Securities and Futures Commission of Hong Kong concerning limits on total borrowings and monitors the level of borrowings to be within the permitted limit.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (continued)

(iv) *Liquidity and capital risk management (continued)*

The Group has cash and cash equivalents of HK\$1,190,389,000 as at 31 December 2017 (2016: HK\$957,531,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK\$10,525,000,000 (2016: HK\$11,300,000,000), of which HK\$10,225,000,000 (2016: HK\$11,000,000,000) was drawn as at 31 December 2017. The undrawn committed facility in the form of revolving bank loans amounted to HK\$300,000,000 as at 31 December 2017 (2016: HK\$300,000,000). Details of which are set out in note 19.

The Group has established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT. The Group issued aggregate principal amounts of HK\$1,618,000,000 and US\$386,400,000 as at 31 December 2017 (2016: HK\$843,000,000 and US\$386,400,000).

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed facility of HK\$300,000,000 (2016: HK\$300,000,000) and a balance of approximately HK\$3,176,000,000 (2016: HK\$3,915,000,000) under the guaranteed medium term note programme available for issuance, the Manager considered that the liquidity risk of the Group can be reduced.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by HK\$1,268,914,000 (2016: HK\$1,323,307,000). Management reviews the Group's financial position and available borrowing facilities. Management considers that the Group will be able to obtain sufficient financial resources, including term loans, to satisfy its commitments and working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value as required by the REIT Code. As at 31 December 2017, the gearing ratio was 18.9% (2016: 21.7%). The ratio is calculated as total borrowings (principal amounts of secured bank borrowings and medium term notes) divided by total assets of the Group.

Liquidity and interest risk tables

The following tables detail the Group's expected maturity for its non-derivative financial assets as well as the Group's remaining contractual maturity for its non-derivative financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (continued)

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

The tables below have been drawn up for non-derivative financial instruments based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a total financial asset and liability basis. For non-derivative financial liabilities, the tables reflect the undiscounted (outflows) of financial liabilities (except Manager's fee payable to be settled by units of Champion REIT) based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2017							
<i>Non-interest bearing</i>							
Trade and other receivables	–	27,801	–	–	–	27,801	27,801
<i>Variable interest rate</i>							
Bank balances and cash	0.97	1,190,440	–	–	–	1,190,440	1,190,389
<i>Fixed interest rate</i>							
Notes receivables	4.95	7,968	10,438	131,107	107,659	257,172	220,531
Total		1,226,209	10,438	131,107	107,659	1,475,413	1,438,721
<i>Non-interest bearing</i>							
Trade and other payables	–	(246,921)	–	–	–	(246,921)	(246,921)
Distribution payable	–	(730,979)	–	–	–	(730,979)	(730,979)
		(977,900)	–	–	–	(977,900)	(977,900)
<i>Variable interest rate instruments</i>							
Secured term loans	2.07	(211,208)	(4,592,328)	(5,986,289)	–	(10,789,825)	(10,172,623)
Medium term note	2.60	(16,723)	(16,723)	(680,626)	–	(714,072)	(643,000)
		(227,931)	(4,609,051)	(6,666,915)	–	(11,503,897)	(10,815,623)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.53	(140,795)	(140,795)	(422,385)	(4,127,733)	(4,831,708)	(3,969,054)
Total		(1,346,626)	(4,749,846)	(7,089,300)	(4,127,733)	(17,313,505)	(15,762,577)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (continued)

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2016							
<i>Non-interest bearing</i>							
Trade and other receivables	–	24,515	–	–	–	24,515	24,515
<i>Variable interest rate</i>							
Bank balances and cash	0.86	957,594	–	–	–	957,594	957,531
<i>Fixed interest rate</i>							
Notes receivables	4.95	7,908	10,360	126,331	120,997	265,596	221,121
Total		990,017	10,360	126,331	120,997	1,247,705	1,203,167
<i>Non-interest bearing</i>							
Trade and other payables	–	(203,984)	–	–	–	(203,984)	(203,984)
Distribution payable	–	(696,481)	–	–	–	(696,481)	(696,481)
		(900,465)	–	–	–	(900,465)	(900,465)
<i>Variable interest rate instruments</i>							
Secured term loans	1.53	(168,547)	(168,547)	(11,273,381)	–	(11,610,475)	(10,924,600)
Medium term note	2.29	(14,750)	(14,750)	(44,250)	(646,687)	(720,437)	(643,000)
		(183,297)	(183,297)	(11,317,631)	(646,687)	(12,330,912)	(11,567,600)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.69	(117,855)	(117,855)	(353,566)	(3,381,179)	(3,970,455)	(3,171,384)
Total		(1,201,617)	(301,152)	(11,671,197)	(4,027,866)	(17,201,832)	(15,639,449)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (continued)

(iv) Liquidity and capital risk management (continued)

Liquidity and interest risk tables (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments. The tables below have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instrument is prepared based on the expected cash flows as the Manager considers that the expected cash flows are essential for an understanding of the timing of the cash flows of these derivatives, which have been entered into for hedging purposes.

	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2017						
<i>Derivatives – net settlement</i>						
Cross currency swaps	533	(1,085)	(1,962)	(22,299)	(24,813)	(17,674)
Interest rate swaps	(6,691)	14,169	30,574	–	38,052	36,587
As at 31 December 2016						
<i>Derivatives – net settlement</i>						
Cross currency swaps	221	250	2,069	47,965	50,505	32,408

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value

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 cost in the consolidated financial statements approximate their fair values.

32. 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 (liabilities) are measured at fair value at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2017				
<i>Derivative financial assets</i>				
Interest rate swaps	–	36,587	–	36,587
<i>Derivative financial liabilities</i>				
Cross currency swaps	–	(17,674)	–	(17,674)
As at 31 December 2016				
<i>Derivative financial assets</i>				
Cross currency swaps	–	32,408	–	32,408

There were no transfers between Levels 1 and 2 in both current and last years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table gives information about how the fair values of these financial assets/(liabilities) are determined (in particular, the valuation techniques and inputs used).

Financial assets/(liabilities)	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2017 HK\$'000	2016 HK\$'000		
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position	(17,674)	32,408	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 consolidated statement of financial position	36,587	–	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.

33. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instruments HK\$'000	Interest payable HK\$'000	Secured bank borrowings HK\$'000	Medium term notes HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2017	(32,408)	56,495	10,924,600	3,814,384	696,481	15,459,552
Financing cash flows	(26,361)	(285,859)	(775,000)	771,187	(1,378,154)	(1,694,187)
Finance costs (note)	–	295,506	23,023	3,763	–	322,292
Foreign exchange translations	–	301	–	22,720	–	23,021
Other changes						
Fair value adjustments	39,856	–	–	–	–	39,856
Distribution declared	–	–	–	–	1,412,730	1,412,730
Other non-cash changes	–	–	–	–	(78)	(78)
At 31 December 2017	(18,913)	66,443	10,172,623	4,612,054	730,979	15,563,186

Note: The amounts reclassified from hedging reserve are excluded in the reconciliation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2017 and 2016.

Name	Issued and fully paid share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	100 shares with no par value	Property investment
CP (A1) Limited	1 share with no par value	Property investment
CP (B1) Limited	1 share with no par value	Property investment
CP (MC) Limited	1 share with no par value	Property investment
CP (PH) Limited	1 share with no par value	Property investment
CP (SH) Limited	1 share with no par value	Property investment
CP (WC) Limited	1 share with no par value	Property investment
CP Finance Limited	1 share with no par value	Financing
CP (Portion A) Limited	2 shares with no par value	Property investment
CP (Portion B) Limited	2 shares with no par value	Property investment
CP Success Limited	1 share with no par value	Financing
CP Wealth Limited	1 share with no par value	Financing
Elegant Wealth Limited	1 share with no par value	Property investment
Maple Court Limited	2 shares with no par value	Property investment
Panhy Limited	2 shares with no par value	Property investment
Renaissance City Development Company Limited	2 shares with no par value	Property investment
Shine Hill Development Limited	1,000,000 shares with no par value	Property investment
Trump Treasure Limited	1 share with no par value	Financing
Well Charm Development Limited	2 shares with no par value	Property investment
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT:		
Champion MTN Limited	1 share of US\$1	Medium term notes issuer
Ernest Limited	100 shares of US\$1 each	Investment holding
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
EAM-Champion REIT Limited	1 share of US\$1	Securities investment

The Manager is of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

Except for Champion MTN Limited which has issued medium term notes as detailed in note 20, no other subsidiaries had issued any debt securities at 31 December 2017 and 2016 or at any time during both years.

Major Real Estate Agents and Contractors

TOP FIVE REAL ESTATE AGENTS

The top five real estate agents and their respective commission paid were given below:

Real estate agents	Nature of service	Commission paid (HK\$)	Relevant cost (%)
Eagle Property Management (CP) Limited	Leasing	26,195,000	63.5
CBRE Limited	Leasing	6,227,000	15.1
Jones Lang LaSalle Limited	Leasing	4,602,000	11.2
Pui Lui Property Co.	Leasing	1,717,000	4.2
Savills (Hong Kong) Limited	Leasing	938,000	2.3
Total		39,679,000	96.3

TOP FIVE CONTRACTORS

The top five contractors and their respective value of service were given below:

Contractors	Nature of service	Value of contract (HK\$)	Relevant cost (%)
The Great Eagle Properties Management Company, Limited	Building management & improvement works	275,979,000	64.4
Eagle Property Management (CP) Limited	Property and lease management	73,379,000	17.1
Longworth Management Limited	Building management	49,071,000	11.5
The Great Eagle Engineering Company Limited	Repairs and maintenance & improvement works	7,670,000	1.8
Makeitloud Marketing Limited	Promotion expenses	4,201,000	1.0
Total		410,300,000	95.8

Performance Table

	2017	2016	2015	2014	2013
As at 31 December:					
Net asset value (HK\$'000)	60,351,242	50,534,763	48,468,147	46,275,130	45,363,960
Net asset value per unit (HK\$)	10.36	8.72	8.40	8.06	7.94
The highest traded price during the period (HK\$)	6.25	5.00	4.59	3.83	4.19
The highest premium of the traded price to net asset value ¹	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	4.18	3.35	3.57	3.24	3.29
The highest discount of the traded price to net asset value	59.65%	61.58%	57.50%	59.80%	58.56%
For the year ended 31 December:					
The distribution yield per unit ²	4.23%	5.46%	5.11%	5.65%	6.12%
The net profit yield per unit ³	33.39%	13.06%	14.76%	9.33%	11.22%

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\$0.2426 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2017 over the traded price of HK\$5.73 as at 29 December 2017.
3. Net profit yield per unit is calculated based on profit for the year before distribution to unitholders per unit for the year ended 31 December 2017 over the traded price of HK\$5.73 as at 29 December 2017.

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
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Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2879 1288
Fax: (852) 2827 1338
Email: info@eam.com.hk

BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

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

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
Citibank, N.A.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISOR

Baker & McKenzie

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Knight Frank Petty Limited

UNIT REGISTRAR AND TRANSFER OFFICE

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