



**ChampionREIT**  
冠君產業信託

ANNUAL  
REPORT

2014

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



## TRUST PROFILE

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties and is one of the 10 largest REITs by market capitalization in the Asia excluding Japan region. 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, Citibank Plaza and Langham Place, one on each side of the Victoria Harbour.

## TRUST OBJECTIVES

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



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## CORPORATE INFORMATION



# TIMELINE OF SIGNIFICANT EVENTS

2014

15  
JAN RICS Hong Kong Awards 2014:  
Citibank Plaza team named Property Management Team of the Year

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24  
MAY Rollover of HK\$7.5 bn Debt to a 3-year HK\$3.7 bn and  
5-year HK\$3.8 bn bank loans

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12  
AUG Announcement of 2014 Interim Results

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12  
SEP Quality Property & Facility Management Awards:  
Citibank Plaza won the Grand Award in Office Building Management

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9  
OCT Payment of 2014 Interim Distribution

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23  
DEC EGM Approving Expansion of the REIT's Investment Scope and  
Amendments to Distribution Formula

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2015

20  
JAN My Favourite Shopping Mall Awards 2014/15:  
Langham Place Mall voted one of HK's top 10 Malls

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27  
FEB Announcement of 2014 Final Results

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23  
MAR Publication of 2014 Annual Report

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18-22  
MAY Closure of Register of Unitholders

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22  
MAY Annual General Meeting

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28  
MAY Payment of 2014 Final Distribution

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# FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December

2010	2011	2012	2013	2014	PROFIT (HK\$ MIL)
\$1,720	\$1,776	\$1,886	\$1,989	<b>\$2,080</b>	Total Rental Income
(\$211)	(\$214)	(\$220)	(\$241)	<b>(\$280)</b>	Net Operating Expenses
\$1,509	\$1,562	\$1,666	\$1,748	<b>\$1,800</b>	Net Property Income
\$5,309	\$6,493	\$4,160	\$2,199	<b>\$1,929</b>	Profit After Tax

2010	2011	2012	2013	2014	DISTRIBUTIONS (HK\$)
\$1,084	\$1,170	\$1,254	\$1,271	<b>\$1,234</b>	Distributable Income (mil)
\$1,067	\$1,111	\$1,186	\$1,201	<b>\$1,171</b>	Distribution Amount (mil)
\$0.216	\$0.224	\$0.209	\$0.210	<b>\$0.204</b>	Distribution per Unit

2010	2011	2012	2013	2014	VALUATION (HK\$)
\$50,223	\$54,857	\$58,297	\$61,509	<b>\$62,438</b>	Gross Value of Portfolio (mil)
\$6.72	\$7.82	\$7.80	\$7.94	<b>\$8.06</b>	Net Asset Value per Unit

2010	2011	2012	2013	2014	FINANCIAL RATIOS
12.3%	12.0%	11.7%	12.1%	<b>13.5%</b>	Expense Ratio
94.8%	94.4%	94.6%	94.5%	<b>94.8%</b>	Payout Ratio
28.4%	25.0%	20.4%	23.4%	<b>23.1%</b>	Gearing Ratio

2010	2011	2012	2013	2014	OPERATIONAL STATISTICS
80.8%	90.0%	88.7%	84.8%	<b>75.4%</b>	Citibank Plaza Office Occupancy
\$84.67	\$85.15	\$85.12	\$84.60	<b>\$77.53</b>	... and Passing Rent (HK\$ psf)
99.4%	96.8%	99.2%	99.0%	<b>100.0%</b>	Langham Place Office Occupancy
\$26.40	\$27.43	\$28.36	\$32.86	<b>\$35.87</b>	... and Passing Rent (HK\$ psf)
99.2%	100.0%	100.0%	100.0%	<b>100.0%</b>	Langham Place Mall Occupancy
\$97.48	\$100.77	\$114.89	\$144.26	<b>\$165.44</b>	... and Passing Rent (HK\$ psf)

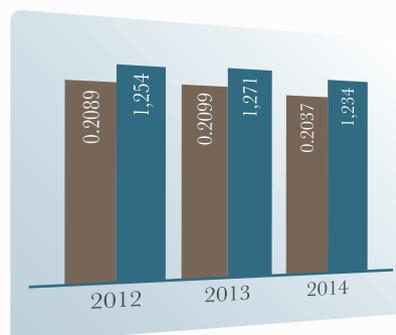
# CHAIRMAN'S REPORT TO UNITHOLDER

The Total Rental Income of Champion REIT for 2014 increased 4.6% to HK\$2,080 million. While rental income at Citibank Plaza fell 3.7% to HK\$1,064 million because of the departure of a major tenant at the end of the third quarter, the strong performance of Langham Place was enough to offset the decline; the combined office and shopping mall rental income of Langham Place rose by 14.9% to HK\$1,016 million.

Net Property Operating Expenses rose 16% to HK\$280 million, primarily due to higher leasing commissions at Citibank Plaza and an increase in net building management expenses at Langham Place Mall. Net Property Income improved by 3.0% over the previous year, to HK\$1,800 million. Profit After Tax decreased from HK\$2,199 million in 2013 to HK\$1,929 million, mainly due to lower revaluation gains of only HK\$890 million as compared to HK\$1,117 million for 2013.

Excluding revaluation gains and other items that are non-cash in nature from the Year's accounting profit, Distributable Income decreased 2.9% to HK\$1,234 million. Distributable Income was lower this year despite the better Net Property Income because of higher financing costs and higher taxation. Interest expenses increased HK\$37 million from a higher average interest rate after the HK\$7.5 billion refinancing of bank loans in the middle of the Year and because of incremental financing costs associated with the

## DISTRIBUTIONS

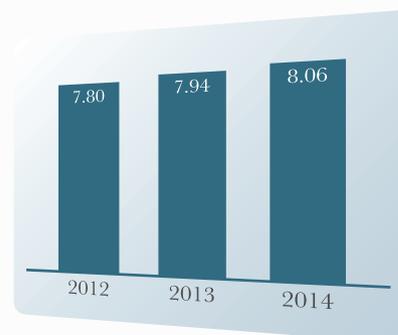


■ Distribution Per Unit (HK\$)  
■ Distribution Income (HK\$ million)

acquisition of additional floors at Citibank Plaza in 2013. There was also a HK\$48 million increase in taxes payable in the absence of one-off tax deductions in the second half of 2014. After retention of HK\$63 million, the Distribution Amount is HK\$1,171 million. Distribution Per Unit ("DPU") for the second half of the year is HK\$0.0998. Combined with the HK\$0.1039 paid out for the first half, the total DPU for 2014 is HK\$0.2037, a decrease of 3.0% compared to 2013.

The appraised value of the REIT's properties at year-end 2014 was HK\$62,438 million compared to HK\$61,509 million as of 31 December 2013. As a result, Net Asset Value per Unit increased to HK\$8.06 from HK\$7.94 a year ago. As no additional debt was incurred during the Year, there was also a corresponding decrease in Gearing Ratio from 23.4% to 23.1%.

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



In 2015, we are expecting sustained income growth at Langham Place. It will nonetheless be insufficient to compensate for the lower income at Citibank Plaza. There should be a weakening in Total Rental Income as it will take time for the income from reletting at Citibank Plaza to be fully realised. Therefore, DPU is most likely to be lower in 2015 before recovering in 2016. We will continue to actively manage our two trophy assets to maximize rental income over the long term.

**LO Ka Shui**  
Chairman

The Total Rental Income of Champion REIT for 2014 increased 4.6% to HK\$2,080 million.

The appraised value of the REIT's properties at year-end 2014 was HK\$62,438 million compared to HK\$61,509 million as of 31 December 2013. As a result, Net Asset Value per Unit increased to HK\$8.06 from HK\$7.94 a year ago.

DR. LO KA SHUI  
CHAIRMAN



## CEO'S REVIEW

A potential bright spot for the Hong Kong financial markets is the new financial liberalization measures between Hong Kong and China.

While the change in spending patterns of mainland visitors has significantly affected the luxury retail segment in Hong Kong, their unabated appetite for cosmetics and mid-priced fashion goods has been a boon to Langham Place Mall.

MR. LEE CHING MING,  
ADRIAN  
CHIEF EXECUTIVE OFFICER

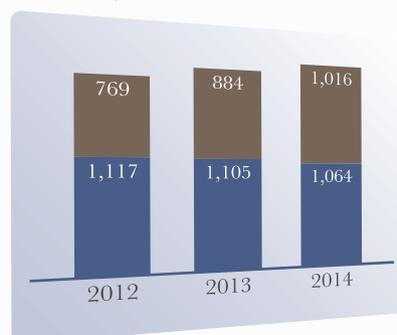


## CITIBANK PLAZA

While the global business environment was generally more positive in 2014, multinational banks remained cautious about expansion as profits were suppressed by non operational factors. As a result, new demand for offices from financial companies was constrained to the fund management and securities sectors that typically require smaller spaces. On a brighter note, the lack of large spaces in secondary office districts has curtailed decentralization while the general lack of new supply of space within Central has lent support to overall occupancy and rental rates.

The year-end office occupancy at Citibank Plaza was 75.4% compared to 84.8% at the end of last year. This fall in occupancy was the result of the

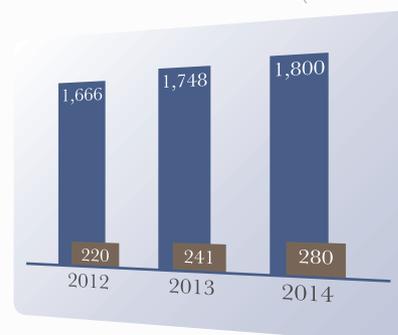
RENTAL INCOME  
(HK\$ million)



■ Citibank Plaza  
■ Langham Place

expiry of a major lease, representing 14.3% of the building floor area, at the end of September 2014. Progress has since been made in re-letting some of the spaces. Year-end asking rents were at HK\$75-80 per sq. ft. At these rental levels the Property has entered

NET PROPERTY INCOME  
(HK\$ million)



■ Net Property Income  
■ Net Operating Expenses

a phase of negative rental reversion as tenancies are rolled over. Passing rents (the average rental rate of existing tenancies weighted by floor area) at Citibank Plaza have come down from HK\$84.60 per sq. ft. to HK\$77.53 per sq. ft. over the past 12 months.

	FY 2014 HK\$'000	FY 2013 HK\$'000	% CHANGE
<b>Citibank Plaza</b>			
Rental Income	1,064,055	1,105,007	-3.7%
Net Operating Expenses	131,886	114,985	+14.7%
Net Property Income	932,169	990,022	-5.8%
<b>Langham Place Office Tower</b>			
Rental Income	281,386	252,982	+11.2%
Net Operating Expenses	28,275	21,110	+33.9%
Net Property Income	253,111	231,872	+9.2%
<b>Langham Place Mall</b>			
Rental Income	734,732	631,095	+16.4%
Net Operating Expenses	119,639	105,187	+13.7%
Net Property Income	615,093	525,908	+17.0%

## CEO'S REVIEW

The lower passing rent and lower occupancy resulted in a drop in rental income to HK\$1,064 million. The drop was limited to 3.7% only because the major increase in vacancy took effect in the fourth quarter. At the same time net operating expenses increased by HK\$16.9 million. The increase in operating expenses was mainly caused by a HK\$17.6 million increase in leasing commission costs, which are charged off in lump sum at the commencement of new leases. The net property income of Citibank Plaza was HK\$932 million, a 5.8% decrease year-on-year.

### LANGHAM PLACE OFFICE TOWER

Outside of Central, the resilience of the non-financial sectors has sustained demand for space in the other key office districts of Hong Kong where vacancy levels have remained in the low single digits. Rents have generally been well supported, underpinning the strong performance of the Langham Place Office Tower in 2014.

Although there was some downtime for a few floors in the second half of the Year, by 31 December 2014 the occupancy rate at the Office Tower was back to 100%. Asking rents (based on Gross Floor Area) for space at Langham Place Office Tower were maintained at HK\$38-45 per sq. ft.

There continued to be positive rental reversion and over 2014 the passing rent rate increased by a further HK\$3.00, from HK\$32.86 to HK\$35.87. This was a result of the rollover of 33% of the floor area during the Year.

Rental income for the Langham Place Office Tower was HK\$281 million, an 11.2% increase over 2013. Net operating expenses increased 33.9% to HK\$28 million, driven by a HK\$4 million increase in rental commission associated with the re-letting of the mid-year vacancies. Net Property Income grew 9.2% from HK\$232 million to HK\$253 million.

### LANGHAM PLACE MALL

While Hong Kong retail sales in 2014 were significantly affected by reduced tourist spending on jewelry and luxury items, performance at Langham Place Mall has been resilient. The Mall's focus on cosmetics and mid-price fashion and limited exposure to the luxury segment has largely sheltered it from the retail slump. To support tenants, the Mall also undertook more promotional activities during the year. The average sales per sq. ft. of tenants showed an increase of 9.8% year-on-year, which significantly outperformed the overall Hong Kong retail market, which declined 0.2%. The out-performance of Langham Place

mainly reflected the strong growth in the first three quarters. Business in the fourth quarter was inevitably affected by "Occupy Mongkok", when some main roads serving the Mall were closed in October and November by civil protests. Their aftermaths continued to dampen shopping sentiments through December. During the period, a fair number of tenants that target local consumers, including many food and beverage outlets, suffered double-digit drops in their sales. Overall sales at the Mall for the fourth quarter dropped only 1% year-on-year, thanks to the strong performance of the cosmetics trade as well as some popular new tenants that commenced trading in the latter part of the Year.

Over the twelve months of 2014, tenancies representing 36% of the Mall's floor area were rolled over, driving a 14.7% increase in passing base rents (based on lettable floor area) from HK\$144.26 per sq. ft. to HK\$165.44 per sq. ft. Income from turnover rent was only marginally lower at HK\$96.5 million (2013: HK\$99 million), equivalent to an additional HK\$25.2 per sq. ft. per month in incremental income over the base rents. This indicates that the sales growth of the tenants has out-paced the hefty rise in base rents.

The positive base-rental reversion, together with steady turnover rent income, resulted in a 16.4% increase in rental income from HK\$631 million to HK\$735 million. Net operating expenses were up 13.7% to HK\$120 million due to an HK\$11.4 million increase in net building management expenses as market labour costs continued to escalate and maintenance costs also increased. As income increased faster than expenses, however, Net Property Income increased by 17.0%, to HK\$615 million.

## OUTLOOK

The global economic outlook is mixed. The United States economy is stronger than it has been for years. The recent collapse in crude oil prices has pushed aside inflationary fears even as unemployment is at a 6 year low. Interest rates may remain low for a longer period than expected. However, not all is rosy. The Japanese economy remains anemic while parts of Europe are on the verge of recession. Growth in the Chinese economy also appears to be under pressure. A potential bright spot for the Hong Kong financial markets is the new financial liberalization measures between Hong Kong and China, such as the recent launch of Shanghai-Hong Kong Stock Connect and the impending Hong Kong-Shenzhen Stock Connect.

Citibank Plaza is just entering the nadir of its income cycle. Major vacancies did not occur until the last 3 months in 2014 and rental income is expected to fall in 2015 even as occupancy is being rebuilt. Furthermore, the weighted average rental rate of tenancies expiring in 2015 is considerably higher than the current spot rents. There will be negative rental reversion as leases are rolled over, but fortunately only 9.9% of the leases by floor area will be expiring in 2015. In recent months, new demand for office space from PRC fund management companies and other financial services providers has helped stabilized rents in Central. Meaningful progress is being made in refilling the vacancies at Citibank Plaza. Since year-end, incremental lettings amount to 3.5% of total floor area.

In 2015, there will be more new supply of office space in the Kowloon East district. The rest of the Kowloon Peninsula is already feeling its effects and rent rates appear to have plateaued after a multi-year rally. Nevertheless, we continue to expect a very high level of occupancy at the Langham Place Office Tower as the majority of the leases expiring in 2015 have been renewed. Rental income is expected to continue on its uptrend

because of income momentum from rental reversions. In the medium term, the prime location of Mongkok and the building's focus on lifestyle trades should continue to support occupancy and rental income.

While the change in spending patterns of mainland visitors has significantly affected the luxury retail segment in Hong Kong, their unabated appetite for cosmetics and mid-priced fashion goods has been a boon to Langham Place Mall. The Mall has been reinforcing its position as one of Hong Kong's most popular destinations for Chinese tourists. Spending by PRC tourists has remained robust at the Mall, though there remains a lingering effect from last year's Occupy protests on our domestic shoppers. There should continue to be excellent income growth from Langham Place Mall in 2015, as the full impact of 2014 increase in base rents for 36% of floor area will be finally reflected. Leases representing 31% of floor area are expiring or subject to rent review in 2015. We are confident that the vast majority of these leases can be rolled over with meaningful upward rental adjustments.

**LEE Ching Ming, Adrian**  
Chief Executive Officer

## BOARD OF DIRECTORS

The Board of 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, 3 Non-executive Directors and 3 Independent Non-executive Directors.

MR. CHA MOU SING,  
PAYSON  
Independent  
Non-executive Director

MR. IP YUK KEUNG,  
ALBERT  
Non-executive Director

DR. LO KA SHUI  
Chairman and  
Non-executive Director

MR. SHEK LAI HIM,  
ABRAHAM  
Independent  
Non-executive Director

MR. LO KAI SHUI  
Non-executive Director



## DR. LO KA SHUI

aged 68, was appointed the Chairman, a Non-executive Director and members of Audit Committee and 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 an

Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited, all of which are listed on The Hong Kong Stock Exchange. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research, the Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong

Kong Monetary Authority.

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

## MR. HO SHUT KAN

Non-executive Director

## MR. LEE CHING MING, ADRIAN

Executive Director and  
Chief Executive Officer

## MR. CHENG WAI CHEE, CHRISTOPHER

Independent  
Non-executive Director



## BOARD OF DIRECTORS

### MR. HO SHUT KAN

aged 66, was appointed a Non-executive Director of the REIT Manager in 2007. He has over thirty years of experience in the property sector. He is currently serving as an Executive Director and Co-Managing Director 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. IP YUK KEUNG, ALBERT

aged 62, 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 and real estate professional with over 30 years of banking experience in Hong Kong, Asia and United States. 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, New World China Land Limited, TOM Group

Limited, AEON Credit Service (Asia) Company Limited, Power Assets Holdings Ltd. and Lifestyle International Holdings Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of Lingnan University and City University of Hong Kong. He is also a Council Member of Lingnan University, a Member of the International Advisory Committee at University of Macau and an Executive Fellow in Asia of 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. Mr. Ip was appointed as a Member of Legal Aid Services Council in September 2014 and was appointed to the Board of Governors of World Green Organisation Limited effective from 2015.

### MR. LO KAI SHUI

aged 55, 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 Deputy Managing Director of Great Eagle Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange, and 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. LEE CHING MING, ADRIAN

aged 63, was appointed the Chief Executive Officer, an Executive Director, a Responsible Officer and the Chairman of Disclosures Committee of the REIT Manager in 2008. He is also a Director of all special purpose vehicles of Champion REIT. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over forty-one years. Prior to joining the REIT Manager, Mr. Lee held senior management positions for more than fourteen years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management of marketing, leasing and sales activities, banking relationships, corporate communications and investor relations. He was also a Director and the General Manager of Eagle Property Management (CP) Limited, the Property Manager of Champion REIT. Mr. Lee also has over two decades of corporate real estate lending and advisory experience with a multinational banking institution. Mr. Lee is at present a Non-executive Director of Cinderella Media Group Limited.

Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Sciences Degree.

## **MR. CHA MOU SING, PAYSON**

aged 72, 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 Chairman of Mingly Corporation. He is also a Director of LBJ Regents Limited and CCM Trust (Cayman) Limited, both of which are substantial shareholders of HKR International Limited.

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

## **MR. CHENG WAI CHEE, CHRISTOPHER**

aged 66, has been a Director of the REIT Manager since 2006. 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. He is an Independent Non-

executive Director of several listed companies, including NWS Holdings Limited, New World China Land Limited and Kingboard Chemical Holdings Limited. He is also a director of Temasek Foundation CLG Limited and a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Cheng plays an active role in public service. He is a council member of The University of Hong Kong, 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 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.

## **MR. SHEK LAI HIM, ABRAHAM**

aged 69, 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 and a Director of The Hong Kong Mortgage Corporation Limited. 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, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, Dorsett Hospitality International Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited and Cosmopolitan International Holdings 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) and Jetstar Hong Kong Airways Limited.

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 REIT Code, the Securities and Futures Ordinance 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.

MR. LEE CHING MING,  
ADRIAN  
Chief Executive Officer



Mr. Lee, aged 63, 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. Additionally, he is responsible for the day-to-day operations. Mr. Lee is a Responsible Officer as defined under the Securities and Futures Ordinance.

Biographical information on Mr. Lee can be found on the page highlighting the board of directors, of which he is a member.

Ms. Wong, aged 34, is responsible for assisting CEO to oversee day-to-day operations and set strategic direction for Champion REIT. She has acquired over 10 years of finance industry experience. Prior to joining the REIT Manager, Ms. Wong worked at a reputable international investment bank's Hong Kong coverage team and executed numbers of landmark IPOs, capital markets fund-raising and strategic M&A transactions.

Ms. Wong graduated from University of Michigan (Ann Arbor) – Ross School of Business with a Bachelor of Business Administration degree.

MS. ADA WONG  
Deputy Chief Executive Officer



Mr. Choo, aged 49, is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. He is also responsible for the capital structuring of Champion REIT, including the planning and overseeing of capital raising activities from the market. Mr. Choo has over 20 years of asset management experience in Hong Kong and Singapore as a licensed fund manager and is well acquainted with the operational and regulatory environment involving multi-investor trust structures registered in Hong Kong. In previous jobs, he has led investment teams at various well established asset management companies, managing private assets, public authorized unit trusts and Mandatory Provident Fund master trust funds.

Mr. Choo graduated magna cum laude from the University of Pennsylvania with a Bachelor of Science in Engineering degree.

MR. PATRICK CHOO  
Chief Investment Officer



**MR. KWONG CHI KWONG**  
Chief Operating Officer



Mr. Kwong, aged 55, is responsible for 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. Mr. Kwong has more than 20 years of experience in the 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.

Ms. Sung, aged 40, is primarily responsible for the financial reporting and general office administration of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. With more than 15 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.

**MS. SUNG KAR WAI,  
ROSANA**

Senior Finance and Office  
Administration Manager



**MR. LAW, DAVID**  
Compliance Manager



Mr. Law, aged 46, is responsible for formulating internal control procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Prior to joining the REIT Manager, Mr. Law worked in various legal firms, an estate developer and an international insurance company, performing paralegal services and compliance duties.

Mr. Law holds a Bachelor of Laws from the University of London and a High Diploma in Legal Executive Studies from the Hong Kong Polytechnic University.

Mr. Yuen, aged 40, is responsible for reviewing the accuracy and completeness of records of operations and transactions of Champion REIT. As part of his duties, he ensures internal control systems function properly and provides regular reports to the audit committee of the board of directors. Prior to joining the REIT Manager, Mr. Yuen worked as an internal auditor at a well-recognized listed property company. He 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 also a member of CPA Australia.

**MR. YUEN CHI HANG,  
TONY**

Internal Auditor



# MANAGEMENT PHILOSOPHY

The REIT Manager remains committed to providing Unitholders with attractive total returns in the form of stable and sustainable Distributions 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, and achieve the following:



### MAXIMIZE RENTAL INCOME

by optimizing rental income from each tenancy and where possible augmenting rental income through additional floor area, asset enhancements or turnover rent.



### HIGH OCCUPANCY LEVELS

by 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

through proactively tenant relationship management and anticipation of future tenant needs. This will minimize rental losses due to downtime and lower expenses and agency fees incurred for new tenancies.



### A QUALITY TENANT BASE

built upon high covenant multi-national office occupiers and well recognized retail tenants, 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 have strong existing or potentially 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 for convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.



### VALUE-ADDING OPPORTUNITIES

through renovation; other enhancements and proactive property management will also be assessed.



### BUILDING SPECIFICATIONS

should be best of class; Other aspects such as building condition, compliance with regulations will also be examined.

# FINANCIAL REVIEW

With the loan refinancing in May 2014, the average outstanding life of the Trust's committed debt facilities has now been extended to 4.12 years.

## DISTRIBUTIONS

The Total Distribution Amount of Champion REIT for the Year was HK\$1,170,668,000 (2013: HK\$1,201,226,000). This Total Distribution Amount was based on 90% (2013: 90%) of Champion REIT's Distributable Income but because of the compulsory inclusion of retained distributions from the first half of each year into the distributable income of the second half of each year as required under the Trust Deed, the effective payout ratio for 2014 was 94.8% (2013: 94.5%).

The Distribution per Unit for the six months ended 31 December 2014 ("Final Distribution per Unit") was HK\$0.0998. This Final Distribution per Unit is subject to adjustment upon the issuance of new Units between 1 January 2015 and the record date. A further announcement will be made to Unitholders informing them of any adjustment to the Final Distribution per Unit.

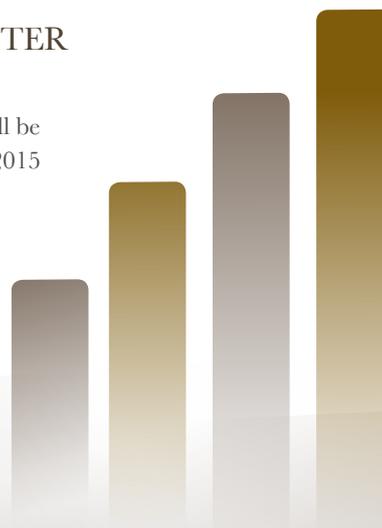


With an interim Distribution per Unit of HK\$0.1039 and a Final Distribution per Unit of HK\$0.0998, the Total Distribution per Unit for the Year amounted to HK\$0.2037 (2013: HK\$0.2099). Based on the closing Unit price of HK\$3.60 as at 31 December 2014, the Total Distribution per Unit is equivalent to a distribution yield of 5.66%.

## CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Monday, 18 May 2015

to Friday, 22 May 2015 ("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 2014 ("2014 Final Distribution") will be made on 28 May 2015 to Unitholders whose names appear on the Register of Unitholders on the Record Date.



## FINANCIAL REVIEW

In order to qualify for the 2014 Final Distribution and be entitled to attend and vote at the 2015 Annual General Meeting to be held on 22 May 2015, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 May 2015.

### DEBT PROFILE

In May 2014, the Trust arranged a 3-year HK\$3,700 million term loan and a 5-year HK\$3,800 million term loan for the purpose of refinancing loans of HK\$7,000 million and HK\$500 million which were due in May 2014 and September 2015 respectively. The 3-year HK\$3,700 million term loan bears an interest of HIBOR plus 1.20% per annum and

is repayable in May 2017. The 5-year HK\$3,800 million term loan bears an interest of HIBOR plus 1.36% per annum and is repayable in May 2019.

As at 31 December 2014, total outstanding borrowings of the Trust was HK\$14,703.7 million with total fixed rate debt amounting to HK\$3,103.7 million, unchanged from a year ago. In order to fully hedge the currency exposure with respect to the principal as well as the interest of the Medium Term Note ("MTN"), the Trust entered into cross currency swaps (the "CCSs") in an aggregate amount of US\$400 million. With these CCSs, the Trust has locked in the exchange rates of both the final principal and interest payments at an average rate of HK\$7.7593 to US\$1.00.

With the loan refinancing in May 2014, the average outstanding life of the Trust's committed debt facilities has now been extended to 4.12 years (31 December 2013: 3.11 years).

The value of the Trust's investment properties at 31 December 2014 was appraised at HK\$62,438 million, representing a 1.5% increase from HK\$61,509 million as at 31 December 2013. Accordingly, the Gearing Ratio (or total borrowings as a percentage of gross assets) decreased slightly to 23.1% as at 31 December 2014 (31 December 2013: 23.4%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 27.3% (31 December 2013: 27.8%).

### NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to Unitholders was HK\$46,275.1 million as at 31 December 2014, an increase of 2.0% compared to HK\$45,364.0 million as at 31 December 2013.

The Net Asset Value per Unit as at 31 December 2014 was HK\$8.06 (31 December 2013: HK\$7.94). This

### COMMITTED DEBT FACILITIES<sup>(1)</sup>

As at 31 December 2014

HK\$ MILLION	FIXED RATE DEBT	FLOATING RATE DEBT	UTILISED FACILITIES	UNDRAWN FACILITIES	TOTAL COMMITTED FACILITIES
Bank Loans	–	11,600.0	11,600.0	300.0	11,900.0
MTN <sup>(2)</sup>	3,103.7	–	3,103.7	–	3,103.7
<b>Total</b>	<b>3,103.7</b>	<b>11,600.0</b>	<b>14,703.7</b>	<b>300.0</b>	<b>15,003.7</b>
<b>Percentage</b>	<b>21.1%</b>	<b>78.9%</b>	<b>98.0%</b>	<b>2.0%</b>	<b>100.0%</b>

(1) All amounts are stated at face value

(2) After accounting for cross currency swaps

represents a 123.9% premium to the closing unit price of HK\$3.60 as at 31 December 2014.

## CASH POSITION

As at 31 December 2014, the Trust had total undrawn bank loan facilities of HK\$300 million (31 December 2013: HK\$300 million) and a cash balance of HK\$1,005.1 million (31 December 2013: HK\$1,066.4 million). Taking into consideration the financial resources available to the Trust, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

## PLEDGED ASSETS

As at 31 December 2014, properties of Champion REIT with a fair value of HK\$42,746 million (31 December 2013: HK\$43,778 million) were pledged to secure the debt facilities granted to the Trust, representing 68.5% of the REIT's properties by fair value. No property is pledged to secure the MTN.

## FACILITY MATURITY PROFILE

As at 31 December 2014

	HK\$ MILLION	% OF TOTAL
Due in year 2016	2,200.0	15.0
Due in year 2017	3,700.0	25.2
Due in year 2018	1,900.0	12.9
Due in year 2019	3,800.0	25.8
Due in year 2023	3,103.7	21.1
<b>Total</b>	<b>14,703.7</b>	<b>100.0</b>

## COMMITMENTS

Except for the capital commitment of approximately HK\$44 million (31 December 2013: HK\$26.6 million) in respect of improvement works for investment properties contracted for but not provided in the consolidated financial statements, the Trust did not have any other significant commitments as at 31 December 2014.



# ENVIRONMENTAL AND SOCIAL REVIEW

Corporate Social Responsibility is one of the tenets of Champion REIT's management philosophy. We recognize that Corporate Social Responsibility will create long-term value for our customers, partners, investors, employees and other stakeholders. To this end, issues covering ethical operating practices, the workplace, the environment and the community are given serious consideration at the strategic level as well as in the day-to-day operations of the Trust's properties.

## WORKPLACE QUALITY HEALTH AND SAFETY

Champion REIT's properties possess the health and safety features generally expected of modern premium grade properties, including computerized automatic fire detection alarm systems and emergency power supply to common areas and essential facilities when there is a power failure event. Regular fire drills are also conducted. The management systems of both Citibank Plaza and Langham

Place are certified under OHSAS (Occupational Health and Safety Assessment Series) 18001 to ensure health and safety risks are minimized by proper monitoring and operating procedures combined with regular training and drills.

Tenants of grade 'A' properties in particular have high expectations for indoor air quality and circulation. In this respect our properties are classified as 'Excellent' under the Hong Kong Environmental Protection

Department's Indoor Air Quality Certification Scheme for Offices and Public Places. They are also recipients of the Quality Water Recognition Award issued by the Hong Kong Water Supplies Department.

## WORKING CONDITIONS

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

We recognize that productive employees are those who maintain a healthy work-life balance. To this end, employees of the REIT Manager are provided with access to various wellness and interest classes that are offered on a yearly basis.





## DEVELOPMENT AND TRAINING

We believe the availability of training and development opportunities is an important factor for attracting and retaining quality staff. Besides offering a competitive compensation and benefits package, we provide corporate and vocational trainings to staff at all levels. Our comprehensive performance appraisal system provides a regular dialogue mechanism whereby staff can provide feedback to their superiors, establish key objectives for each year and determine their training and development needs. For the reporting year, 100% of eligible employees (those who are employed before August 1st of the year) received performance and career development reviews.

## LABOUR STANDARDS

Champion REIT is in compliance with the Hong Kong Employment Ordinance which covers a comprehensive range of employment protection and benefits for employees including: wage protection, rest days, holidays with pay, paid annual leave, sickness allowance, maternity protection, severance payment, long service payment, employment protection, termination of employment contract and protection against anti-union discrimination.

There are no employees that are defined as children or young persons under the ordinance (persons under the age of 18). As Champion REIT is a pure landlord and has no industrial or manufacturing operations, there are no potential issues involving child or forced labour.

## BREAKDOWN OF EMPLOYEES AND TURNOVER RATE BY AGE GROUP AND GENDER

	BY AGE GROUP (YEARS OLD)					BY GENDER	
	Under 20	20 – 29	30 – 39	40 – 49	over 49	Male	Female
Employed on Dec 31 2014	0%	0%	46%	31%	23%	62%	38%
Turnover Rate in 2014	0%	0%	0%	0%	33%	0%	20%

The table above refers to the employees of the REIT Manager. As the REIT Manager delegates the property management, lease management and marketing & promotion functions to various service providers, it has only a relatively small number of employees. This can lead to misleadingly high turnover rates even if just one employee in any one category has to be replaced.

## ENVIRONMENTAL AND SOCIAL REVIEW

### ENVIRONMENTAL PROTECTION

#### USE OF RESOURCES

Energy efficiency is an important means of reducing emissions and conserving the world's limited resources. Pursuing energy efficiency also has the parallel benefit of reducing operating expenses, even while global warming is ameliorated. An energy saving feature inherent to both of Champion REIT's properties is the use of large multi-storey glass curtain walls to provide atrium and lobby areas with natural lighting. At Langham Place, this feature is particularly noticeable and anyone can look through the 9-storey mall atrium and see the neighbourhood buildings on the other side. Reflective coatings along the primary glass walls provide additional energy savings by reflecting heat while allowing light to enter the interior.

Both of our properties also boast a comprehensive ventilation and air conditioning system complete with floor-by-floor climate sensors. To minimize redundant cooling, air-conditioning can be controlled in incremental areas and turned off for unused areas. Both Citibank Plaza and Langham Place have pledged their support for the "Energy Saving Charter" scheme set up by the Environment Bureau to promote lower air-conditioning energy consumption. Under this pledge, an average interior temperature of between 24-26°C will be maintained during the summer months of June to September.

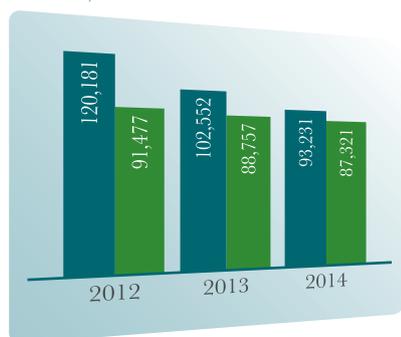
Citibank Plaza is in the process of upgrading its lighting fixtures to accommodate T5 fluorescent tubes and in some cases LED light fittings. T5 tubes have a much higher lumens-per-watt efficiency and lower mercury content than its predecessor. Lighting control with motion sensors in our car parks, back of house corridors and staircases have been installed in Langham Place and are being

installed at Citibank Plaza. To reduce water usage, we have installed low flow water faucets in all our properties and are reusing water collected in an underground tank for irrigation at Citibank Plaza. Both Citibank Plaza and Langham Place received Green Management Awards issued by the Green Council in 2014. To support the introduction of electric vehicles to Hong Kong, Electric Vehicle Recharging Stations have been added to both our car parks.

In 2014 the combined energy consumption at our properties decreased by 5.6% to 180,552 gigajoules. Electricity consumption at Citibank Plaza in particular was reduced by 9.1% with the installation of additional energy-efficient chiller plants. Combined water usage increased by 7% to 387,082 cubic meters. There was an 11.1% increase in water usage at Citibank Plaza as its new chiller plants use circulating water as its heat exchange medium. The trend of lower electricity consumption coupled with higher water usage should cease next year as all the air-cooled chiller plants at Citibank Plaza have now been replaced with water-cooled ones.



## ENERGY CONSUMPTION (gigajoules)



■ Citibank Plaza ■ Langham Place

## WATER USAGE (cubic meters)



■ Citibank Plaza ■ Langham Place

## CARBON EMISSIONS (tons CO<sub>2</sub> equivalent)



■ Citibank Plaza ■ Langham Place

## EMISSIONS

As Champion REIT is a pure landlord and has no manufacturing operations, there are no hazardous byproducts produced or discharged. The only relevant emissions would be those generated through the day-to-day operations at our properties. Our statistics as disclosed to the carbon footprint repository in Hong Kong include direct emissions as well as indirect emissions such as those resulting from electricity generated offsite. In 2014 the estimated combined carbon emissions of our properties decreased by 18.6% to 36,630 tons of carbon dioxide. Carbon emissions at Citibank Plaza have fallen dramatically this year because of the reduced energy requirements of new chiller plants installed in 2013. The chiller plants installed in 2014 have yet to have an impact on our carbon footprint as their energy saving gains have first to be offset against the one-off impact of incorporating their refrigerants.

## THE ENVIRONMENT AND NATURAL RESOURCES

The environmental management systems of both Citibank Plaza and Langham Place are certified under

ISO 14001. This drives progressive environmental protection policies that strive to reduce the environmental impact of our properties and facilitate recycling. Procedures at our properties are in place to administer and facilitate the separation and collection of office and retail waste for third-party recycling. Tenants are invited as partners to enlarge the scale and efficacy of these recycling initiatives.

Paper is by far the largest category of materials sent for recycling, with 306 tons collected in 2014. Besides typical waste products such as paper and plastic bottles, food waste from our food court tenants are also collected and sent for reprocessing.

The property management team at Citibank Plaza won a silver award

under the Hong Kong Awards for Environmental Excellence. Citibank Plaza was also awarded a “Class of Excellence” at the Wastewi\$e Awards for Environmental Excellence. The Environmental Protection Department of the Hong Kong Government has issued certificates to Citibank Plaza and Langham Place certifying the effectiveness of their Programs on Source Separation of Commercial and Industrial Waste.

To reduce paper usage itself, Champion REIT allows its Unitholders to choose if they wish to be mailed a physical copy of the Trust’s Interim Report and Annual Reports each year. PDF versions of the Trust’s financial reports have been available at [www.championreit.com](http://www.championreit.com) since Champion REIT was listed in 2006.

## MATERIALS COLLECTED FOR RECYCLING

	2012	2013	2014
Waste Paper (kg)	238,000	220,235	<b>306,150</b>
Fluorescent Tubes (kg)	1,004	1,228	<b>924</b>
Plastic Bottles (kg)	846	1,061	<b>1,048</b>
Aluminum Cans (kg)	98	93	<b>121</b>
Reusable Batteries	338	488	<b>325</b>

## ENVIRONMENTAL AND SOCIAL REVIEW



### OPERATING PRACTICES PRODUCT RESPONSIBILITY

We strive for quality service to our customers, who are our tenants and shoppers. Our building management teams operate under the ISO 9001 Quality Management System which among other things requires the monitoring of customer satisfaction. To this end, questionnaires are sent regularly by the Building Managers to our tenants to obtain their feedback. Tenants can also send suggestions or complaints to the building management through multiple channels and may also directly contact the REIT Manager through our property specific websites. Service quality management at Citibank Plaza and Langham Place are certified by the Hong Kong Quality Assurance Agency.

In 2014, Citibank Plaza won the grand award for the office building segment at the Quality Property & Facility Management Awards organized by the Hong Kong Institute of Surveyors. It was also named Property Management Team of the Year at the Hong Kong Property Awards organized by the Royal Institution of Chartered Surveyors. Langham Place Mall earned an Excellence in Facility Management Award from the Hong Kong Institute of Facility Management. In addition, Langham Place also received an Enterprise Award at the Hong Kong Star Brands Awards in acknowledgment of the widespread recognition of the Langham Place brand and its association with quality.

### ANTI-CORRUPTION

Champion REIT is committed to

the highest ethical standards. All employees are given a Code of Conduct to which they are required to adhere. Employees 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 and above is primarily based on the results of a tendering process, with some exceptions such as in the case of utility providers and the rollover of existing service agreements. Furthermore, multiple quotations must be obtained for transactions of over HK\$5,000. The Code of Conduct also outlines expectations on staff with regards to conflicts of interest. Trading in units of Champion REIT is strictly prohibited during blackout periods and other times when staff are in possession of financially sensitive information.

## SUPPLY CHAIN MANAGEMENT

Subject to the overall management and supervision of the REIT Manager, the function of managing of the properties of the Trust is delegated to service providers such as Eagle Property Management (CP) Limited, the Property Manager as well as various Building Managers. All of Champion REIT's main service providers are required to have similar or complimentary policies and procedures with regards to operating practices, the workplace quality and environmental protection.

## COMMUNITY INVOLVEMENT

### COMMUNITY INVESTMENT

Champion REIT's community involvement tends to focus on three thematic areas: the Arts, Children and the Environment. Based on these themes, we often partner with non-profit organizations, offering our properties as venues for various projects that source for donations or create awareness of worthy causes.

As a patron of the Arts, Citibank Plaza is home and sponsor to the Musica del Cuore concert series providing free classical music performances to the general public. The program's aim is to provide an additional performance platform for local talent while nurturing a new generation of music lovers. Well-established artists and chamber groups from Hong Kong showcase their artistry weekly in our concerts. To promote cultural exchange, guest artists from around the world are also invited to perform at Musica del Cuore on occasion. For additional information, please visit [www.musicadelcuore.com.hk](http://www.musicadelcuore.com.hk).

In the area of Children, HK\$84,484 of donations was accumulated for the Make-A-Wish Foundation through the Spiral Stars Gallery at Langham Place. Donation boxes built into the 12 zodiac sculptures of the gallery have been directing funds to children with life-threatening medical conditions for many years now and donations of HK\$1.3 million have been collected this way since the gallery was launched. This year, Langham Place was a venue sponsor for events of the Shining Stars Foundation and The Hong Kong Federation of Youth Groups.

In support of the Environment in 2014, both Citibank Plaza and Langham Place served as exhibition venues for 'Enlighten Our Green Senses', a collaborative exhibition between Green Monday and famous make-up artist Annie Chan to inspire audiences with new perspectives on green living.

In addition to the core themes, Champion REIT participates in other civic activities such as blood

donation drives and charity runs/walkathons. This year, Langham Place was the venue sponsor for a charity event organized by the College of Ophthalmologists of Hong Kong. Langham Place was once again selected this year as a Caring Company by the Hong Kong Council of Social Service.

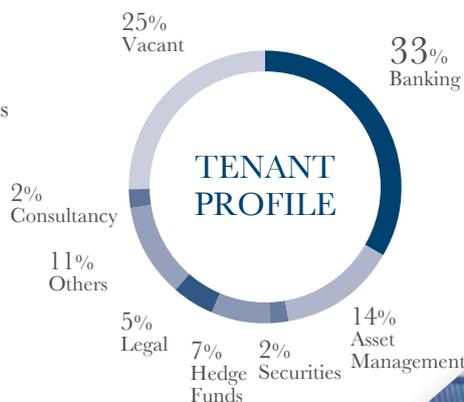
Portions of both properties are also dedicated to public usage. In service to the community, Citibank Plaza provides more than 60,000 sq. ft. of floor space as a public thoroughfare. It also maintains two pedestrian bridges abutting the public thoroughfare, providing sheltered elevated access between Hong Kong Park and Central. Langham Place provides a pedestrian system consisting of bridge and underground tunnel that allows easy and safe access from the MTR Station to the community centre and minibus depot on Shanghai Street.



# PROPERTY AT-A-GLANCE

## CITIBANK PLAZA

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.

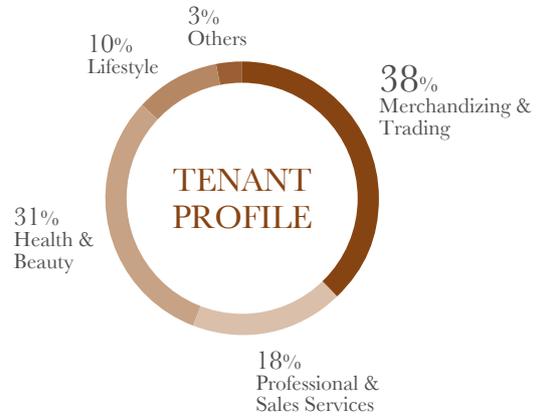


### MAJOR TENANTS OF CHAMPION REIT (IN ALPHABETICAL ORDER):

- Allianz Global Investors
- Beauty Avenue
- Cinema City
- Citibank
- Hennis and Mauritz
- Industrial and Commercial Bank of China
- Invesco
- Neo Derm
- Pure Yoga
- Sears

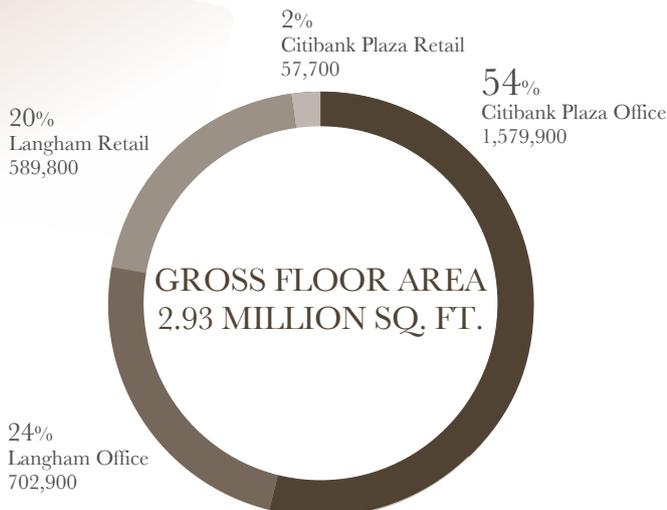
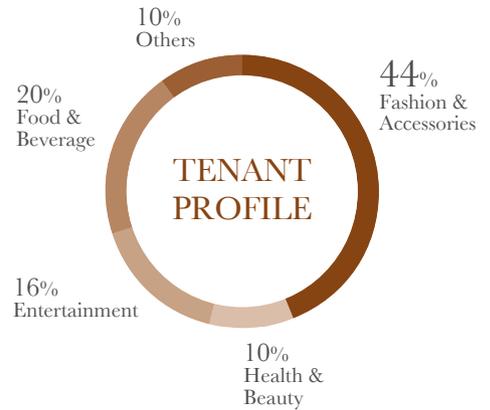
## THE LANGHAM PLACE OFFICE TOWER

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.



## LANGHAM PLACE MALL

is a 15-level, 590,000 gross sq. ft. 'vertical' mall focusing on mid-priced fashion, 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 promotion 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.



## PROPERTY VALUE AS OF 31 DEC 2014: HK\$62.4 BILLION

	CITIBANK PLAZA HK\$ mil	LANGHAM PLACE HK\$ mil	SUB-TOTAL HK\$ mil
Office	35,071	7,869	42,940
Retail	441	17,702	18,143
Car Park	410	315	720
Miscellaneous	410	220	630
<b>Total</b>	<b>36,332</b>	<b>26,106</b>	<b>62,438</b>

For additional details, please refer to the valuation report section

PORTFOLIO

# CITIBANK PLAZA



With a gross floor area of over 1.6 million sq. ft., Citibank Plaza 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

Citibank Plaza is a modern glass and steel office complex that comprises Citibank Tower, ICBC Tower, a 3 level basement garage capable of accommodating 558 vehicles, as well as a retail podium. The complex is located in the Central District of Hong Kong and is well connected by elevated walkway to the rest of Central. Its address at No. 3 Garden Road 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. With the acquisition of the last four floors that it did not own in 2013, Champion REIT is now the owner of Citibank Plaza in its entirety.

## ARCHITECTURAL EXCELLENCE

With a gross floor area of over 1.6 million sq. ft., Citibank Plaza 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 the Central District'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, Citibank Plaza was awarded the Hong Kong Institute of Architects' highest award when it was built.

## PREMIUM GRADE 'A' SPECIFICATIONS

Citibank Plaza 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



## CITIBANK PLAZA

control center and a master satellite signal distribution system. Key among Citibank Plaza's attributes is its ability to conform to the formidable specifications required by multi-national financial institutions, the building's primary target tenants. 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.

### AMENITIES AND SERVICES

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

customer service. The relaxation and cardiovascular needs of the tenants are also an integral part of Citibank Plaza's success formula. Citibank Plaza is home to a health club occupying almost four floors of one tower. This health club features a health spa, gymnasium and a heated swimming pool among other exercise facilities. 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. This is also the venue for weekly classical musical performances which are well received by tenants.

### ASSET ENHANCEMENT

Since the property was injected into the Trust, the upper lobby of the podium has been retrofitted with a

security card access system, electronic directories and a new information counter. The lower lobby has also refurbished into a trendy lounge area. To cater to the growing need for ever higher requirements for emergency power and back-up chilled water supply for server rooms and trading areas, Citibank Plaza's emergency power capacity and back-up chilled water capacity have also been upgraded. New energy efficient chiller plants and variable air volume ventilation units have also been installed recently. The basement car park is now undergoing renovation. Looking forward, the asset enhancement program at Citibank Plaza will continue so as to better position Citibank Plaza to serve its top tier banking and financial tenants.

## BUILDING STATISTICS

- HK\$36.33 billion Assessed Value
- Built in 1992
- 205m Tall, Highest Floor is 50
- 558 Vehicle Basement Garage
- 104 Tenants
- 1,638,000 sq. ft. Gross Floor Area
- 1,225,000 sq. ft. Lettable Office Area
- 34,000 sq. ft. Gross Floorplate
- 43,000 sq. ft. Lettable Retail Area



## FEATURES & AMENITIES

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



## CITIBANK PLAZA LEASING AND PROPERTY MANAGEMENT TEAM



**MS. YVONNE LAU**

General Manager, Leasing

As General Manager, Ms. Lau is responsible for formulating and implementing Citibank Plaza's leasing strategies and business plans. In her previous job, she was the director in charge of office asset management at a private real estate fund listed in Singapore. Ms Lau has more than 20 years of experience in the field of property and had worked for various first tier property developers in Hong Kong.

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 Space and a Professional Diploma in Real Estate Administration (with Distinction) from the University of Hong Kong School of Professional and Continuing Education.

**MS. YOLANDA WONG**

General Manager, Building Management

Ms. Wong has over 20 years' experience in hospitality and property management industry overseas and in Hong Kong. Prior to joining the Company, she held senior management positions of a boutique hotel group and a property management company under a listed property development group in Hong Kong. She has experience in managing residential & Grade A commercial properties, shopping malls, boutique hotels, and serviced apartments. Ms Wong has also experience in renovation projects, pre-management, sales & leasing, event management and quality management.

Ms. Wong holds a Master of Art degree in Business Administration from the University of Hull, U.K. and a Master of Science degree in hospitality management from the Sheffield Hallam University, U.K. She is also a member of the Hotel & Catering International Management Association and the American Society for Quality.



**MR. MARCO HO**

Chief Estate Manager

Mr. Ho has over 15 years' experience in real estate and property management industry. He has worked for several of the major Hong Kong developers in the past, in roles related to the management of various residential properties, shopping malls and Grade A commercial complexes. Mr. Ho has also experience in renovation projects, pre-management, crowd control and the management of large-scale promotion events.

Mr. Ho holds a Bachelor of Arts degree in Housing Studies and a Bachelor of Business Administration in Finance. He is certified under the Housing Managers Registration Board and a member of the HK Institute of Housing.





### MR. ALAN MOK

Senior Manager, Estate

Mr. Mok has over 10 years' experience in real estate and property management industry. He has worked for various well established property developers in Hong Kong and has been involved in management of various shopping malls and Grade A commercial buildings.

Mr. Mok holds a Bachelor degree in Estate Management from the University of Reading and a Master Degree in Housing Management from the University of Hong Kong. He is a member of the Hong Kong Institute of Housing and a member of International Facility Management Association, Hong Kong Chapter.

### MS. CHRISTINE LAM

Senior Manager, Tenancy Service

Ms Lam has over 10 years of experience in the service industry. Prior to joining the Property Management team at Citibank Plaza, she held a number of key leadership positions in international 5-star hotels and luxury retailers in Hong Kong, responsible for events planning and services, customer relationship management and loyalty programs.

Ms Lam holds a Postgraduate Diploma in Strategic Management and Leadership from the Edexcel Institution, UK and a Master Degree in Business Administration from the University of Sunderland, UK.



### MR. Y H KWOK

Head of Technical Services

Mr. Kwok has over 25 years' experience in repair and maintenance. He has worked for several major Hong Kong engineering companies in the past, in roles related to the management of various residential properties, shopping malls and Grade A commercial complexes. Mr. Kwok has also experience in renovation projects, system upgrade and major retrofits.

Mr. Kwok holds a bachelor degree in engineering from the University of Hong Kong. He is a Corporate member of the HK Institution of Engineers and a Registered Professional Engineer.

### MR. HUNG SIU FUNG, RON

Manager, Leasing

Mr. Hung is responsible for the leasing and tenancy management of Citibank Plaza. He has worked for various Hong Kong property companies in the past and has over 10 years of experience in property leasing.

Mr. Hung obtained his Bachelor of Commerce from University of Sydney and holds a Master degree in Construction and Real Estate from The Hong Kong Polytechnic University.



PORTFOLIO

# LANGHAM PLACE



The 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, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion 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 defined by Argyle Street, Portland Street, Shantung Street and Reclamation Street and is the largest urban renewal project in Hong Kong with a Total Floor Area of almost 2 million sq. ft. Completed in 2004, Langham Place immediately became a defining landmark of Mongkok, 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.



## FASHION MALL REDEFINING MONGKOK

The Langham Place Mall has several unique modern architectural and design features. From the surrounding shopping district, its distinctive multi-faceted façade of Fissured Brazilian Granite is immediately recognizable. Among its internal features are a Grand Atrium enclosed by 9-storey tall glass curtains showcasing the surrounding street-level activity, some

## LANGHAM PLACE

of the world's longest indoor escalators and a 'Digital Sky' projected onto the mall's ceiling. In upper section of the Mall, there is the iconic Spiral section leading up to an indoor alfresco Bar and Restaurant floor. For its innovative design, the Langham Place Mall has received several awards from parties such as the International Council of Shopping Centers and the Institution of Structural Engineers Awards.

Langham Place Mall is a lifestyle urban mall, and its design matches the tastes of its target audience – young shoppers who are interested in the latest fashion trends. Each day, 200,000 to 300,000 shoppers visit the mall to look for the latest in hip and trendy apparel, accessories and footwear. As part of the Langham

shopping experience, the mall also offers its shoppers a cineplex, a games arcade and over 30 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 local and foreign celebrities alike. The mall is also popular with tourists from the mainland as it is well known for its wide selection of cosmetics. Langham Place Mall was voted as one of Hong Kong's top 10 shopping malls for the third consecutive year in the 2014/15 My Favorite Shopping Mall Awards survey organized by the Hong Kong Economic Times. Langham Place Mall was also named a most-favoured shopping mall brand for Hong Kong consumers and separately for mainland consumers as well, at the

Prestigious Corporate Brand Awards jointly organized by Ming Pao Daily and the Chinese University of HK.

### MONGKOK'S PREFERRED OFFICE ADDRESS

The Langham Place Office Tower is a modern 59 storey Grade 'A' building that is the preferred corporate address in Mongkok. It is covered in distinctive reflective blue glass and topped off with a large colour-changing dome visible from as far as Hong Kong island at night. As the building is conveniently located in a decentralized office district it attracts tenants from merchandizing and wholesale sectors. The office tower is also home to many semi-retail and service-oriented enterprises because

### BUILDING STATISTICS

- HK\$26.1 billion Assessed Value\*
- Built in 2004
- 255m Tall, Highest Floor is 60
- 255 Vehicle Basement Garage
- 66 Office Tenants\*
- 193 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

\* only Champion REIT's portion

of its location within a busy shopping district and its synergistic connection to the Langham Place Mall. The building contains a 70,000 square feet fitness and well-being centre, purportedly housing the world's largest yoga studio, as well as many smaller spas.

At 255 meters, it was the tallest office building on the Kowloon Peninsula when it was launched in 2004 and offers an unobstructed panoramic view of the surrounding area. Tenants are provided with the latest in Grade 'A' specifications, including fiber optic wiring, raised flooring, emergency power supply and master satellite signal distribution. Being a relatively new building, there is central computerized control of the climate, fire alarm, lift and lighting systems.



## FEATURES & AMENITIES

- 15 Storey Shopping Mall
- Adjoining 5-star Hotel
- 1,100 Seat Cineplex
- 36 F&B Outlets
- Direct MTR Access
- 9-Storey Glass Atrium
- Hong Kong's Longest Indoor Escalators
- Panoramic View of Kowloon
- Electric Vehicle Charging Stations
- Internal Loading Dock
- HKIAQ Certification
- OHSAS 18001 Certification
- ISO 14001 Certification
- 70,000 sq. ft. Fitness Centre
- World's Largest Yoga Studio



## LANGHAM PLACE

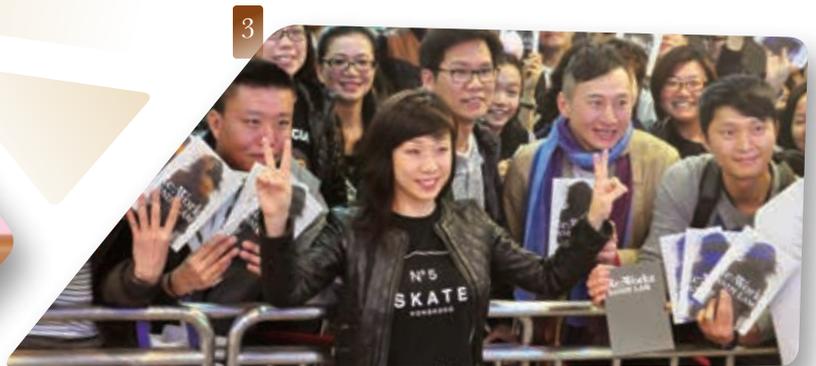
### WHAT'S BEEN HAPPENING AT THE MALL

1  
During four months in the summer, the mall collaborated with F&B tenants to provide shoppers with a complete shopping -dining experience called Sanrio Star Dining.

2  
As part of the Sanrio Star Dining campaign were a series of activities featuring the popular Sanrio characters, including a thematic installation named "Sanrio Star Chef Institute".

3  
Canto-pop diva Sandy Lam at an autograph event at CD Warehouse.

4  
LINE character mascots were invited to celebrate the opening of the UNIQLO LP store.



5

Avenue 1218, a concept store of the hottest street chic and K-Pop fashion for style hunters celebrated its debut opening in HK with a fashion show and street dance.

6

Equipped with Hong Kong's first 4DX theatre, the brand new cinema complex Cinema City was opened in late 2014.

7

The hosts of Running Man, the most popular Korean variety show in the world greeted fans at Langham Place.

8

About 1,000 brave and energetic souls took part in Ocean Park's Halloween Fest Talent Hunt Recruitment Day.

9

Celebrities and food artist gathered to share the "Joy on a Plate" hosted by MARKET PLACE by JASONS. Proceeds from the campaign were donated to Orbis.



## LANGHAM PLACE LEASING AND PROPERTY MANAGEMENT TEAM



**MS. LEUNG WAI MUN, VIVIAN**

General Manager, Leasing and Marketing

Ms. Leung is the team leader for the leasing, promotion, marketing and public relation activities of Langham Place. Ms Leung has over 20 years of experience in the advertising and marketing industry. Prior to joining the Property Manager, she worked for various advertising agencies and held senior marketing and business development positions with a number of publishing and marketing companies.

Ms. Leung holds a Bachelor of Arts Degree from York University of Canada.

**MR. DAVID CHIU**

General Manager, Property Management

Mr. Chiu is responsible for the overall property management of Langham Place. He has more than more than 20 years of experience in managing quality retail and commercial properties. Prior to joining the Langham Place team in 2004, he worked for various leading listed property companies in Hong Kong.

Mr. Chiu holds a Diploma in Housing Management from the University of Hong Kong, and a Bachelor of Arts Degree from the Concordia University, Montreal Canada. He is also a member of the Institute of Housing, United Kingdom and a member of the Chartered Institute of Housing, Hong Kong.



**MS. CHAN FUNG KAM, JEAN**

Assistant General Manager, Leasing

Ms. Chan is responsible for the leasing and tenancy management of Langham Place and has over 15 years of experience in the property leasing field. Prior to her present job, she worked for various property developers in Hong Kong.

Ms. Chan holds a Master of Science degree in Real Estate majoring in Surveying from The University of Hong Kong and a Bachelor degree of Business Studies from The City University of Hong Kong.





### MS. AU-YEUNG HON YUK, MAKEY

Assistant General Manager, Marketing

Ms. Au-Yeung is responsible for marketing, promotion and public relations activities of Langham Place. She has over 20 years of experience working for various marketing and public relations firms and had held the position of editorial consultant for a number of well established publishing houses.

Ms. Au-Yeung holds a Higher Diploma in Chinese Translation and Interpretation from the Hong Kong Polytechnic University.

### MR. CHAN CHOR KIU, DESMOND

Chief Estate Manager

Mr. Chan is responsible for building management of the shopping mall, office tower and car park at Langham Place. Prior to joining the management team of Langham Place in 2006, he worked for several of Hong Kong's leading listed property companies and has over 15 years of experience in the property management industry.

Mr. Chan holds a Bachelor's degree in Housing Management from the University of Hong Kong, Diploma in Surveying from the College of Estate Management. He is also a member of the Hong Kong Institute of Housing, the Chartered Institute of Housing (United Kingdom) and a registered professional housing manager in Housing Managers Registration Board.



### MR. TIMOTHY CHU

Technical Manager

Mr. Chu is responsible for overseeing the technical management of Langham Place. With over 15 years of practical work experience in the engineering industry since 1995, Mr. Chu has worked for several of Hong Kong's leading listed property companies invested in both commercial and residential buildings during his career.

Mr. Chu holds a Master of Science degree in Building Services Engineering from the University of Hong Kong and a Bachelor of Engineering (Honors) degree in Building Services Engineering from the City University of Hong Kong. He is a Registered Professional Engineer in the building services discipline with the Hong Kong Engineers Registration Board and is a Chartered Engineer of the U.K. Engineering Council.



# VALUATION REPORT



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)

Savills Valuation and  
Professional Services Limited

23/F Two Exchange Square  
Central, Hong Kong

EA LICENCE: C-023750  
T: (852) 2801 6100  
savills.com

6 February 2015

Dear Sirs

## RE: CITIBANK PLAZA, 3 GARDEN ROAD, CENTRAL, HONG KONG (“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 enquiries and searches 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 2014 (referred to as the “Valuation Date”) for accounting purposes.

## BASIS OF VALUATION

Our valuation is our opinion of the market value of the Property which we would define as intended to mean “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.

We are independent of Champion REIT and have carried out the valuation independently and impartially. Our valuation is prepared in accordance with Chapter 6.8 of the Code on Real Estate Investment Trust published by the Securities and Futures Commission of Hong Kong and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

## VALUATION METHODOLOGIES

We have valued the Property on the basis of capitalization of the net income shown on schedules handed to us and also by reference to sales evidence available in the market.

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular, we have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach to be the most appropriate valuation method for assessing the market value of the Property with regard to the income-driven nature of the Property. We have assumed that no significant capital expenditure by the owners of the Property will be required in the foreseeable future.

### INCOME CAPITALIZATION

The Income Capitalization Approach is a method of valuation whereby the existing rental income of all lettable units of the Property are capitalized for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its 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. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of the Property.

The market rentals of all lettable units are made (a) by reference to the rentals fetched in the Property and (b) by reference to the lettings of similar properties in the neighbourhood. The capitalization rate adopted is made by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factor and the like. Our adopted capitalization rates for the retail and office accommodations are 4.25% and 3.30% respectively.

### DIRECT COMPARISON

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a check for the valuation arrived at from using the Income Capitalization Approach. In this regard, comparable sales transactions of retail properties in Central District are collected and analyzed each in terms of a price per square footage. Moreover, comparable sales transactions of both en-bloc and strata-title Grade A office premises in Central District around the Valuation Date are collected and analyzed each in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the Property and comparables in terms of time, location, age, building quality and the like.

### TITLE INVESTIGATIONS

We have not been provided with extracts from title documents relating to the Property but we have caused sample searches to be made at 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 do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

## VALUATION REPORT

### VALUATION CONSIDERATION

We have relied to a very considerable extent on information given by the instructing party and have accepted information given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, incomes, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the Property valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free of rot, infestation or any other structural defect. No tests were carried out to any of the services. Our inspection was undertaken by Mr. Victor Chow, MHKIS, on 31 December 2014.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate 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 Trustee, the Manager or other party/parties who Champion REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

In accordance with our standard practice, we must state that this valuation report is for the use only of the parties to whom it is addressed and no responsibility is accepted to any other party for the whole or any part of its contents.

We enclose herewith our valuation and market overview.

Yours faithfully  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Charles C K Chan**  
MSc FRICS FHKIS MCI Arb RPS(GP)  
*Managing Director*

\* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 30 years experience in the valuation of properties in Hong Kong.

## VALUATION CERTIFICATE

### PROPERTY

Citibank Plaza, 3 Garden Road, Central, Hong Kong

Inland Lot No. 8888.

### DESCRIPTION AND TENURE

Citibank Plaza is an office/commercial/carparking development situated in Central district. It comprises one 47-storey office block, known as Citibank 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 total floor area and the gross rentable area of the retail and office portions of the Property are as follows:—

USE	TOTAL FLOOR AREA	
	sq.m.	sq.ft.
Retail	5,362.41	57,721
Office	146,773.78	1,579,873
<b>TOTAL</b>	<b>152,136.19</b>	<b>1,637,594</b>

USE	GROSS RENTABLE AREA	
	sq.m.	sq.ft.
Retail	3,956.99	42,593
Office	113,822.46	1,225,185
<b>TOTAL</b>	<b>117,779.45</b>	<b>1,267,778</b>

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 rent equivalent to 3% of the rateable value for the time being of the lot.

## VALUATION REPORT

### PARTICULARS OF OCCUPANCY

Except Shop 5 with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower, the retail portion of the Property is let under six tenancies for various terms with the last expiry date in December 2016, yielding a total monthly rental income of approximately HK\$1.48 million exclusive of rates, management and air-conditioning charges. All these tenancies are subject to turnover rent. The average monthly turnover rent receivable from November 2013 to October 2014 is approximately HK\$43,000.

The office portion (including Shop 5) of the Property is let under various tenancies for various terms with the last expiry date in June 2021, yielding a total monthly rental income of approximately HK\$74.9 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.

The current occupancy rates of the retail and office portions are approximately 100% and 75.4% respectively.

A total of 500 carparks and 50 motorcycle parking spaces are being operated as a fee-paying public carpark and the remaining 58 carparks are occupied as private carparks and let under various licences. The total average monthly income from January 2014 to December 2014 is approximately HK\$1,534,000 inclusive of rates, management and utility charges.

Various spaces for cellular phone systems are let under three licences for various terms with the last expiry date in August 2017, yielding a total monthly licence fee of approximately HK\$70,000 exclusive of rates, management and utility charges.

A satellite phone antenna, various advertising spaces and the naming rights of Citibank Tower and ICBC Tower are licensed under various licences for terms with the last expiry date in May 2020, yielding a total monthly licence fee of approximately HK\$1,807,000 exclusive of rates, management and utility charges.

### MARKET VALUE IN EXISTING STATE AS AT 31 DECEMBER 2014

HK\$36,332,000,000

### ESTIMATED NET PROPERTY YIELD

2.6%

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 (Citibank Tower)	Whole of Citibank 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 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	<p>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).</p> <p>Various portions of Citibank 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).</p> <p>Restaurant and Shops 1 to 4 on Lower Ground Floor of the development.</p> <p>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.</p> <p>All those Reserved Areas as defined in the Deed of Mutual Covenant and Management Agreement in respect of Citibank Plaza 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).</p>
Maple Court Limited	<p>29th to 30th Floors and Portion B on 31st Floor of Citibank Tower.</p> <p>Private car parking space nos. 21 to 22 on Basement 2 of the development.</p>
Panhly Limited	<p>Portion A on 31st Floor and 32nd to 33rd Floors of Citibank Tower.</p> <p>Private car parking space nos. 42 to 44 on Basement 2 of the development.</p>
Well Charm Development Limited	38th Floor of Citibank Tower.
CP (Portion A) Limited	<p>Portion A on 40th Floor, 41st to 50th Floors of Citibank Tower.</p> <p>Shop 5 on Lower Ground Floor of the development.</p> <p>Private car parking space nos. 118 to 120 and 123 to 131 on Basement 2 of the development.</p>
CP (Portion B) Limited	<p>39th Floor and Portion B on 40th Floor of Citibank Tower.</p> <p>Private parking space nos. 23 to 25 on Basement 2 of the development.</p>
Elegant Wealth Limited	<p>34th, 36th and 37th Floors of Citibank Tower.</p> <p>Private parking space nos. 39 to 41 on Basement 2 of the development.</p>

## VALUATION REPORT

- (3) The portion of the Property held by Shine Hill Development Limited (see Note 2), except part of 3rd Floor and whole of 4th to 6th Floors of Citibank 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) The portion of the Property held by Shine Hill Development Limited, except part of 3rd Floor, whole of 4th to 6th Floors of Citibank Tower and 5th to 40th Floors of ICBC Tower, the portion of the Property held by Maple Court Limited and the portion of the Property held by CP (Portion A) Limited are subject to a legal charge in favour of Hang Seng Bank Limited.
- (10) 5th to 40th Floors of ICBC Tower held by Shine Hill Development Limited are subject to a legal charge in favour of Hang Seng Bank Limited.
- (11) The portions of the Property held by Panhy Limited, Well Charm Development Limited, CP (Portion B) Limited and Elegant Wealth Limited are subject to a legal charge and debenture in favour of The Hongkong And Shanghai Banking Corporation Limited.
- (12) The Property lies within an area zoned "Commercial" under Central District Outline Zoning Plan.
- (13) Pursuant to Occupation Permit No. H63/92 and a set of approved building plans of Citibank Plaza, each the 3rd Floor and the 4th Floor of Citibank Tower is mainly designated as a restaurant with kitchen. Nevertheless, in accordance with the specific instructions from the instructing party, we have valued the said portions of the Property on office use basis and have assumed all necessary approvals and licences have been obtained from the relevant Government authorities for office use.
- (14) The rentals reported herein are the total of the face rentals without taking into account any rent free periods or the turnover rents received, if any.
- (15) The notional breakdown of our valuation in respect of different uses is set out below:-

USE	MARKET VALUE AS AT 31 DECEMBER 2014
Retail	HK\$441,000,000
Office	HK\$35,071,000,000
Carpark	HK\$410,000,000
Miscellaneous	HK\$410,000,000
<b>TOTAL:</b>	<b>HK\$36,332,000,000</b>

(16) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the office portion of the Property (including Shop 5 but excluding the licensed miscellaneous areas) as at 31 December 2014 is set out below:–

*Occupancy Profile*

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	923,804	75.4
Vacant	301,763	24.6
<b>TOTAL</b>	<b>1,225,567</b>	<b>100</b>

*Lease Commencement Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2010	227,655	24.6	16,182,383	21.6	5	4.3
2011	122,782	13.3	12,364,970	16.5	7	6.0
2012	66,418	7.2	5,988,143	8.0	19	16.2
2013	229,317	24.8	18,278,058	24.4	33	28.2
2014	277,632	30.1	22,055,423	29.5	53	45.3
<b>TOTAL</b>	<b>923,804</b>	<b>100</b>	<b>74,868,977</b>	<b>100</b>	<b>117</b>	<b>100</b>

*Lease Expiry Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2015	120,763	13.1	11,861,781	15.8	29	24.8
2016	336,268	36.4	25,167,137	33.6	44	37.6
2017	226,066	24.5	19,178,015	25.6	32	27.3
2018	23,052	2.5	1,846,560	2.5	3	2.6
2019	31,976	3.4	2,594,605	3.5	2	1.7
2020	154,010	16.7	11,750,780	15.7	5	4.3
2021	31,669	3.4	2,470,100	3.2	2	1.7
<b>TOTAL</b>	<b>923,804</b>	<b>100</b>	<b>74,868,977</b>	<b>100</b>	<b>117</b>	<b>100</b>

*Lease Duration Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
1	2,656	0.3	216,257	0.3	2	1.7
2	40,196	4.3	3,311,489	4.4	19	16.2
3	289,506	31.3	24,197,223	32.3	72	61.5
4	45,026	4.9	4,956,350	6.6	5	4.3
5	43,107	4.7	3,474,988	4.6	2	1.7
6	371,294	40.2	28,569,950	38.2	14	12.0
7	132,019	14.3	10,142,720	13.6	3	2.6
<b>TOTAL</b>	<b>923,804</b>	<b>100</b>	<b>74,868,977</b>	<b>100</b>	<b>117</b>	<b>100</b>

Note: The above tenancy profile includes a shop with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower but excludes 1 tenancy renewal for a term of 1 year and 9 months commencing in August 2015 and 6 committed new lettings for terms of 2 to 6 years commencing in the period from January 2015 to July 2015.

# VALUATION REPORT

(17) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile for the retail portion of the Property (excluding Shop 5 and the licensed miscellaneous areas) as at 31 December 2014 is set out below:–

*Occupancy Profile*

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	42,211	100.0
Vacant	0	0.0
<b>TOTAL</b>	<b>42,211</b>	<b>100</b>

*Lease Commencement Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2012	1,482	3.5	186,732	12.7	1	16.7
2013	40,729	96.5	1,289,197	87.3	5	83.3
<b>TOTAL</b>	<b>42,211</b>	<b>100</b>	<b>1,475,929</b>	<b>100</b>	<b>6</b>	<b>100</b>

*Lease Expiry Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2015	1,482	3.5	186,732	12.7	1	16.7
2016	40,729	96.5	1,289,197	87.3	5	83.3
<b>TOTAL</b>	<b>42,211</b>	<b>100</b>	<b>1,475,929</b>	<b>100</b>	<b>6</b>	<b>100</b>

*Lease Duration Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
3	42,211	100.0	1,475,929	100.0	6	100.0
<b>TOTAL</b>	<b>42,211</b>	<b>100</b>	<b>1,475,929</b>	<b>100</b>	<b>6</b>	<b>100</b>

Note: The above tenancy profile excludes a shop with an area of 382 sq.ft. which is let under a single tenancy with Portion A of 40/F and 43/F to 50/F of Citibank Tower.

## OFFICE MARKET OVERVIEW

### SERVICES-SECTOR OFFICE DEMAND

Hong Kong's office market has grown rapidly since the early 1980s reflecting the emergence of a more services-oriented economy. As manufacturing processes have been relocated to the Pearl River Delta with the opening-up of the Chinese economy, Hong Kong-based companies have focused more on the provision of services in the fields of finance, logistics and management.

Being located in a time zone between Asia and Europe has also helped Hong Kong to become a global financial centre. These characteristics have given rise to demand for high-quality office space to accommodate an increasingly sophisticated services-driven economy.

### OFFICE STOCK

Proximity to mainland China has benefited Hong Kong greatly with its ability to tap into the vast resources and population on its doorstep. According to the Rating and Valuation Department, Hong Kong's total office stock grew 3.5 times between 1980 and 2013.

At the end of 2013, Grade A office space (75.3 million sq. ft.) accounted for approximately 64% of all office stock, while the remaining 36% was accounted for by Grades B and C space.

Central is the central business district (CBD) of Hong Kong, and is also the centre of government. Central represents approximately 30% of total office stock of all grades and 27% of the total stock of Grade A offices. Central, together with the other traditional business districts of Wanchai/Causeway Bay and Tsim Sha Tsui, represented more than 52% of total Grade A office stock at the end of 2013.

### RENTAL TRENDS

A strong rebound was experienced by the Hong Kong economy after the successful containment of SARS in 2003 and this growth was reflected in the Hong Kong office market when Grade A office rents reversed their downward trend and rose consistently from Q4/2003. A booming financial-services sector has, in turn, stimulated demand from professional services firms, while the trading and manufacturing economy has also recorded robust growth over the period.

According to the Rating and Valuation Department, the average Grade A office rent rose by around 145% from the end of September 2003 to the end of September 2008 and a dramatic growth of around 329% was noted in Central.

With the outbreak of the global financial crisis in Q3/2008, many in the finance industry experienced layoffs and downsizing, reducing demand for prime office space and pulling overall rents down by 21% in June 2009, while rents in Central fell by 37% in the same period. Rents quickly turned around from Q3/2009 on the back of quantitative easing and the subsequent rebound in the global economy, with new leasing demand from overseas funds and finance-related companies from the mainland. Grade A office rents went up by 35% and office rents in Central grew by 71% until September 2011.

## VALUATION REPORT

With the intensifying European debt crisis, slowing economic conditions and a weakening IPO pipeline in the second half of 2011, mainland companies were more hesitant to pay aggressive rents for prime Central spaces. Coupled with investment banks and fund houses either downsizing or at least halting expansion plans, Grade A office rents in Central fell by 4% from Q4/2011 to Q3/2014. The recent Occupy movement in Central is another factor behind the Central office downturn, although the impact was only limited to the few office buildings within the vicinity of Occupy.

Rents elsewhere (except Central) showed more resilience as this latest crisis is more financial-industry related, and aided by the robust retail sector and information technology sector looking for office space outside Central, and low vacancy levels, grade A office rents in the overall market grew by 17% from Q4/2011 to Q3/2014.

### PRICE TRENDS

A dramatic turnaround was witnessed in the Grade A office sales market in 2003, with prices dropping over the first half of the year and rebounding over the second half, resulting in an aggregate whole-year increase, the first year to record a year-on-year increase in Grade A office values since 1996.

Positive investment sentiment continued in 2004 when prices nearly doubled on the back of the strong economic recovery and rising rents. Although some signs of a slowdown were observed in 2H/2005, when the prime lending rate increased from 5.75% to 7.75%, the overall growth momentum remained strong in 2005. Further price increments were recorded in 2006 and the first eight months of 2007, with investment sentiment heating-up again as interest rates trended downwards (the prime lending rate decreased to 7.5%). From the trough in May 2003 to the peak at the end of May 2008, overall Grade A office prices increased by 287%<sup>1</sup> and Grade A office prices in Central grew by 423% before the global financial crisis.

Tightened liquidity caused by the credit crunch and a negative economic outlook instigated the pessimistic investment sentiment in 2008 and 2009, and overall and Central Grade A office prices fell by 36% and 39% from May 2008 to March 2009 respectively. Loosened monetary policy and quantitative easing improved market liquidity, and the once-again active stock market and revitalised leasing market induced good investment sentiment. Overall Grade A and Central office prices rose by 62% and 179% respectively from June 2009 to September 2011. However, the spreading and deteriorating debt crisis in the eurozone, and the downgrading of US credit ratings caused fluctuations in the global equity market and dampened expectations of economic growth in the second half of 2011. This caused some short-term fluctuations in office prices over the period.

Nevertheless, the gradual relaxation of macro economic controls in China, as well as the announcement of QE3 in mid-2012, injected renewed optimism into the property investment market, and overall Grade A office prices grew by 18% from Q4/2011 to Q3/2014, while Central, with its grim leasing market outlook and already high price levels, recorded a more moderate 3% increase over the same period based on Savills estimates.

Affected by a series of stamp duty policy measures and negative investment sentiment, Grade A office prices in Central fell by approximately 3% in 2013. However, the low interest rate environment and the return of end users purchasing led to prices in the area rebounding by nearly 3% in the first three quarters of 2014, based on Savills estimates.

<sup>1</sup> Source: Rating and Valuation Department

## SUPPLY<sup>2</sup>

The Asian financial crisis in 1997 and a general lack of sites in core office locations acted to constrain development activity in the latter part of the 1990s and the supply of offices had fallen to low levels by 2000. The average supply of Grade A office space between 2001 and 2010 stood at 1.8 million sq. ft. per annum, significantly below the 1991 to 2000 average of 3.1 million sq. ft. per annum. Forecast supply of Grade A offices between 2014 and 2018 is expected to reach approximately 8.4 million sq. ft., or 1.7 million sq. ft. per annum, below the ten-year average supply of 1.7 million sq. ft. recorded between 2004 and 2013 and below the ten-year average take-up of 1.9 million sq. ft. per annum over the same period.

New supply is expected to remain at low levels over the next few years, particularly for Grade A offices in the core areas of Central, Wanchai/Causeway Bay, Tsim Sha Tsui and the emerging Kowloon Station area. Grade A office supply in core areas between 2014 and 2018 is expected to reach approximately 1.4 million sq. ft., or 283,800 sq. ft. per annum, which is below the ten-year average take-up of 0.4 million sq. ft. per annum recorded between 2004 and 2013.

Land for office development in Central is scarce, and the recently completed LHT Tower (the redevelopment of Lok Hoi Tong Building) and 50 CRC (the redevelopment of Crocodile House I and II) are relatively small projects, providing only 133,700 sq. ft. net and 129,000 sq. ft. net respectively. The redevelopment of The Forum by Hongkong Land only provided another 49,438 sq. ft. net in 2013 and is leased to Standard Chartered Bank.

Expected Grade A office supply in Central from 2014 to 2018 included only one redevelopment project at 10–12 Queen's Road Central (113,267 sq. ft.), to be completed in 2016, will be entirely owner occupied.

It is noteworthy that most of the new supply (around 83% from 2014 to 2018 or 6.9 million sq. ft.) will come on-stream outside the core business districts, with the largest supply to be released in the Kowloon East area, which will total 3.8 million sq. ft. over the next five years.

Given the tight availability, tenants in core locations are expected to look at options such as splitting operations, decentralising or downgrading in order to accommodate their changing business needs. Nevertheless, the substantial supply coming on-stream in Kowloon East and Kowloon West may provide more choices for tenants currently located in core areas outside Central, especially Tsim Sha Tsui and Island East, given their proximity.

## VACANCY

Location-sensitive financial-services tenants are generally reluctant to leave the CBD, and many have continued to expand in Central, but these tenants are now faced with a far more limited choice of suitable accommodation.

During the global financial crisis, the vacancy rate in Central was recorded at a high of 7.5% in October 2009. Office stock was then absorbed by robust demand from mainland and international finance-related companies, helping to pull the vacancy rate down to 2.2% up to May 2011. With higher rental office costs in Central, tenants accelerated relocation plans and moved operating departments to non-core areas. This led to the office vacancy rate in Central rising to 5.3% in September 2012, while vacancy in the Central Grade AAA office sector also increased to an historical high of around 6% in the same month. Nevertheless, the revitalised stock and IPO markets have induced some rehiring in the financial sector since the last quarter of 2012, and vacancy rates of both overall Central and Grade AAA Central offices declined to 5.0% and 1.8% in December 2014 respectively<sup>3</sup>.

<sup>2</sup> All areas are in sq. ft. net unless otherwise stated.

<sup>3</sup> Source: Savills estimates

## VALUATION REPORT

### OUTLOOK

Although the structural shift of the domestic economy from manufacturing to services is now largely completed, manufacturers in Hong Kong will continue to take advantage of the low operating costs in the Pearl River Delta region and leverage Hong Kong's advanced business-services skills, its infrastructure and experience in international trade to expand their businesses.

Meanwhile, the finance sector, and related business services, is expected to benefit from the growing strength of the economy and the rapid development of mainland China. Increasing demand for higher-end services such as personal banking, trade finance, fund raising, and offshore renminbi business is expected from the region.

The continuous expansion of luxury retail brands in the city means they are still actively pursuing office spaces for their expanded operations, and although many of them may settle in non-core areas due to availability and cost issues, we deem this as another positive drive for the office sector over the next few years.

Throughout 2015, while we expect demand to revive in most submarkets, the future relationship between Hong Kong and China, as well as how major investors perceive Hong Kong, could become key factors dictating movement in the office market. Overseas investors may demand an increased risk premium for Hong Kong if the current disruption worsens, resulting in higher hurdles to set up business operations. To date, we note very little direct impact on rental values, although some increase in leasing by mainland financial companies have been noted due to the Hong Kong-Shanghai Stock Connect. With available space start shrinking in core Central and future supply levels remaining extremely low, we expect the Central leasing market to bottom out in 2015.



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Savills Valuation and  
Professional Services Limited

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6 February 2015

Dear Sirs

**RE: (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 enquiries and searches 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 2014 (referred to as the “Valuation Date”) for accounting purposes.

## **BASIS OF VALUATION**

Our valuation is our opinion of the market value of the Property which we would define as intended to mean “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.

We are independent of Champion REIT and have carried out the valuation independently and impartially. Our valuation is prepared in accordance with Chapter 6.8 of the Code on Real Estate Investment Trust published by the Securities and Futures Commission of Hong Kong and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

## VALUATION REPORT

### VALUATION METHODOLOGIES

We have valued the Property on the basis of capitalization of the net income shown on schedules handed to us and also by reference to sales evidence available in the market.

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular, we have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach to be the most appropriate valuation method for assessing the market value of the Property with regard to the income-driven nature of the Property. We have assumed that no significant capital expenditure by the owners of the Property will be required in the foreseeable future.

### INCOME CAPITALIZATION

The Income Capitalization Approach is a method of valuation whereby the existing rental income of all lettable units of the Property are capitalized for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its 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. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of the Property.

The market rentals of all lettable units are made (a) by reference to the rentals fetched in the Property and (b) by reference to the lettings of similar properties in the neighbourhood. The capitalization rate adopted is made by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factor and the like. Our adopted capitalization rate for both the retail and office accommodations is 4.00%.

### DIRECT COMPARISON

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a check for the valuation arrived at from using the Income Capitalization Approach. In this regard, comparable sales transactions of both en-bloc and strata-title Grade A office premises in business districts of the Kowloon Peninsula around the Valuation Date are collected and analyzed each in terms of a price per square footage. Moreover, comparable sales transactions of retail properties in Mong Kok District are collected and analyzed each in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the Property and comparables in terms of time, location, age, building quality and the like.

### TITLE INVESTIGATIONS

We have not been provided with extracts from title documents relating to the Property but we have caused sample searches to be made at 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 do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

## VALUATION CONSIDERATION

We have relied to a very considerable extent on information given by the instructing party and have accepted information given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, incomes, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the Property valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free of rot, infestation or any other structural defect. No tests were carried out to any of the services. Our inspection was undertaken by Mr. Victor Chow, MHKIS, on 31 December 2014.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate 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 Trustee, the Manager or other party/parties who Champion REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

In accordance with our standard practice, we must state that this valuation report is for the use only of the parties to whom it is addressed and no responsibility is accepted to any other party for the whole or any part of its contents.

We enclose herewith our valuation and market overview.

Yours faithfully

For and on behalf of

**Savills Valuation and Professional Services Limited**

**Charles C K Chan**

MSc FRICS FHKIS MCI Arb RPS(GP)

*Managing Director*

\* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 30 years experience in the valuation of properties in Hong Kong.

## VALUATION REPORT

### VALUATION CERTIFICATE

#### PROPERTY

(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.

1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No. 11099.

#### DESCRIPTION AND TENURE

Langham Place is a retail/office/hotel/carpark complex erected on two rectangular sites, separated by Shanghai Street, having a registered total site area of 11,976 sq. m. (128,910 sq. ft.). The development was completed in 2004.

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.

Currently standing on the western site is a hotel built over two levels of basement carpark. In addition, government, institution and community facilities as well as public open space are provided on the site.

Two covered footbridges and an underground vehicle tunnel across Shanghai Street are constructed to inter-connect the development between the two separate sites.

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 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.

## PARTICULARS OF OCCUPANCY

The office portion of the Property is let under various tenancies mostly for terms of two or three years with the last expiry date in November 2021 yielding a total monthly rental of approximately HK\$26.12 million exclusive of rates and management fees. Three tenancies contain an option to renew for a further term at the then prevailing market rent.

The retail portion of the Property is let under various tenancies mostly for terms of two or three years with the last expiry date in July 2024 at a total monthly basic rent of approximately HK\$53.46 million exclusive of rates and management fees. Most of the tenancies are subject to turnover rent. The average monthly turnover rent receivable from January 2014 to November 2014 is about HK\$6.9 million.

The current occupancy rates of the office and retail portions are both approximately 100%.

The carpark is operated as a fee-paying public carpark let on monthly and hourly bases. The average total monthly income from January 2014 to December 2014 is approximately HK\$1,562,000.

Miscellaneous incomes are generated from lightboxes, signage spaces and other miscellaneous items at an average monthly total licence fee of approximately HK\$1,402,000 from January 2014 to December 2014.

## MARKET VALUE IN EXISTING STATE AS AT 31 DECEMBER 2014

HK\$26,106,000,000

## ESTIMATED NET PROPERTY YIELD

4.1%

# VALUATION REPORT

Notes:

- (1) The registered owner of the Property as at the Valuation Date is Benington Limited.
- (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) The office portion of the Property is subject to a Legal Charge in favour of Hang Seng Bank Limited (on its own behalf and as agent for the lenders).
- (4) For the office portion of the Property, the Gross Rentable Area is equal to the Total Floor Area.
- (5) The Property lies within an area zoned "Commercial (2)" under Mong Kok Outline Zoning Plan.
- (6) The breakdown of our valuation in respect of different uses is set out below:

USE	MARKET VALUE AS AT 31 DECEMBER 2014
Retail	HK\$17,702,000,000
Office	HK\$7,869,000,000
Carpark	HK\$315,000,000
Miscellaneous	HK\$220,000,000
<b>TOTAL:</b>	<b>HK\$26,106,000,000</b>

- (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 the licensed miscellaneous areas) as at 31 December 2014 is set out below:-

*Occupancy Profile*

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	702,911	100
Vacant	0	0
<b>TOTAL</b>	<b>702,911</b>	<b>100</b>

*Lease Commencement Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2010	76,735	10.9	2,572,408	9.8	3	4.5
2012	61,497	8.7	2,269,353	8.7	11	16.7
2013	291,364	41.5	10,725,132	41.1	23	34.8
2014	273,135	38.9	10,553,797	40.4	29	44.0
<b>TOTAL</b>	<b>702,911</b>	<b>100</b>	<b>26,120,689</b>	<b>100</b>	<b>66</b>	<b>100</b>

*Lease Expiry Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL	MONTHLY RENTAL (HK\$)	% OF TOTAL	NO. OF TENANCY	% OF TOTAL
2015	104,149	14.8	3,732,523	14.3	17	25.8
2016	373,205	53.1	13,584,226	52.0	25	37.9
2017	86,339	12.3	3,180,133	12.2	15	22.7
2018	36,171	5.1	1,447,289	5.5	3	4.5
2019	58,910	8.4	2,276,702	8.7	4	6.1
2020	26,739	3.8	1,229,994	4.7	1	1.5
2021	17,398	2.5	669,823	2.6	1	1.5
<b>TOTAL</b>	<b>702,911</b>	<b>100</b>	<b>26,120,689</b>	<b>100</b>	<b>66</b>	<b>100</b>

*Lease Duration Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)		MONTHLY RENTAL (HK\$)		NO. OF TENANCY	
	AREA (SQ.FT.)	% OF TOTAL	RENTAL (HK\$)	% OF TOTAL	TENANCY	% OF TOTAL
2	73,561	10.5	2,576,483	9.9	12	18.2
3	410,646	58.4	15,257,208	58.4	41	62.1
4	17,398	2.5	704,619	2.7	1	1.5
5	80,434	11.4	3,110,155	11.9	7	10.6
6	103,474	14.7	3,802,402	14.5	4	6.1
8	17,398	2.5	669,823	2.6	1	1.5
<b>TOTAL</b>	<b>702,911</b>	<b>100</b>	<b>26,120,689</b>	<b>100</b>	<b>66</b>	<b>100</b>

Note: The above tenancy profile excludes 5 tenancy renewals for terms of 2 or 3 years commencing in the period from January 2015 to March 2015 and 2 committed new lettings for terms of 2 to 3 years commencing in the period from April 2015 to May 2015.

- (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 areas) as at 31 December 2014 is set out below:-

*Occupancy Profile*

TYPE	GROSS RENTABLE AREA (SQ.FT.)	% OF TOTAL
Leased	319,079	100.0
Vacant	54	0.0
<b>TOTAL</b>	<b>319,133</b>	<b>100</b>

*Lease Commencement Profile*

YEAR	GROSS RENTABLE AREA (SQ.FT.)		MONTHLY BASIC RENTAL (HK\$)		NO. OF TENANCY	
	AREA (SQ.FT.)	% OF TOTAL	RENTAL (HK\$)	% OF TOTAL	TENANCY	% OF TOTAL
2010	21,885	6.9	2,041,260	3.8	5	2.5
2011	7,605	2.4	720,860	1.3	2	1.0
2012	65,088	20.4	11,042,632	20.7	42	20.9
2013	109,867	34.4	24,406,813	45.7	87	43.3
2014	114,634	35.9	15,244,452	28.5	65	32.3
<b>TOTAL</b>	<b>319,079</b>	<b>100</b>	<b>53,456,017</b>	<b>100</b>	<b>201</b>	<b>100</b>

# VALUATION REPORT

*Lease Expiry Profile*

YEAR	GROSS RENTABLE		MONTHLY BASIC RENTAL		NO. OF TENANCY	
	AREA (SQ.FT.)	% OF TOTAL	(HK\$)	% OF TOTAL		% OF TOTAL
2014	136	0.0	28,880	0.1	1	0.5
2015	82,352	25.8	11,455,556	21.4	68	33.8
2016	76,791	24.1	15,169,076	28.4	82	40.8
2017	55,518	17.4	10,568,386	19.8	37	18.4
2018	45,019	14.1	10,391,571	19.4	10	5.0
2019	14,523	4.6	1,009,215	1.9	2	1.0
2024	44,740	14.0	4,833,333	9.0	1	0.5
<b>TOTAL</b>	<b>319,079</b>	<b>100</b>	<b>53,456,017</b>	<b>100</b>	<b>201</b>	<b>100</b>

*Lease Duration Profile*

YEAR	GROSS RENTABLE		MONTHLY BASIC RENTAL		NO. OF TENANCY	
	AREA (SQ.FT.)	% OF TOTAL	(HK\$)	% OF TOTAL		% OF TOTAL
1	5,428	1.7	896,249	1.7	5	2.5
2	14,846	4.7	2,624,487	4.9	40	19.9
3	135,275	42.4	25,928,200	48.5	129	64.1
4	31,611	9.9	3,336,409	6.2	13	6.5
5	87,179	27.3	15,837,339	29.6	13	6.5
10	44,740	14.0	4,833,333	9.1	1	0.5
<b>TOTAL</b>	<b>319,079</b>	<b>100</b>	<b>53,456,017</b>	<b>100</b>	<b>201</b>	<b>100</b>

Note: The above tenancy profile excludes 11 tenancy renewals for terms of 1 to 3 years commencing in the period from January 2015 to July 2015 and 16 committed new lettings for terms of 2 to 5 years commencing in the period from March 2015 to November 2015.

## OFFICE MARKET OVERVIEW

### SERVICES-SECTOR OFFICE DEMAND

Hong Kong's office market has grown rapidly since the early 1980s reflecting the emergence of a more services-oriented economy. As manufacturing processes have been relocated to the Pearl River Delta with the opening-up of the Chinese economy, Hong Kong-based companies have focused more on the provision of services in the fields of finance, logistics and management.

Being located in a time zone between Asia and Europe has also helped Hong Kong to become a global financial centre. These characteristics have given rise to demand for high-quality office space to accommodate an increasingly sophisticated services-driven economy.

### OFFICE STOCK<sup>1</sup>

Proximity to mainland China has benefited Hong Kong greatly with its ability to tap into the vast resources and population on its doorstep. According to the Rating and Valuation Department, Hong Kong's total office stock grew 3.5 times between 1980 and 2013.

At the end of 2013, Grade A office space (75.3 million sq. ft.) accounted for approximately 64% of all office stock, while the remaining 36% was accounted for by Grades B and C space.

Yau Ma Tei/Mong Kok is a decentralised business district in fringe Kowloon and is a popular office location for trading, consumer goods and insurance companies. Yau Ma Tei/Mong Kok represented approximately 8% of total office stock of all grades (9.1 million sq. ft.) and 5% of the total stock of Grade A offices (3.6 million sq. ft.) in 2013. Yau Ma Tei/Mong Kok, together with the other decentralised office areas of Island East, Kowloon East and Kowloon West<sup>2</sup>, represented around 37% of total Grade A office stock at the end of 2013.

### RENTAL TRENDS

Financial turmoil began in early 2008 and intensified in September after the Lehman Brothers bankruptcy disrupted the stock market and affected property market sentiment, both of which had proved fairly robust since the containment of SARS in 2003. The office sector was the first to experience the effects, with rounds of layoffs in the financial industry causing an acute decline in demand for office space, particularly in core areas. Nevertheless, no large-scale surrenders or hand-backs of space have been noted from investment banks and asset management houses thus far.

According to data from the Rating and Valuation Department, the average Grade A office rent rose by around 145% from the end of September 2003 to the end of September 2008, with a rise of around 122% noted in Yau Ma Tei/Mong Kok. During the global financial crisis period in Q3/2008 to Q2/2009, many in the trading industry experienced layoffs and downsizing, reducing demand for office space and pulling rents down by 21% in June 2009, while rents in Yau Ma Tei/Mong Kok fell by 23% in the same period. Rents quickly turned around in Q3/2009 on the back of internal demand stimulation due to the mainland's fiscal policies and the subsequent rebound in the global trading market. Grade A office rents went up by 35% and rents in Yau Ma Tei/Mong Kok grew by 71% until September 2011.

<sup>1</sup> All areas are internal floor areas (IFA) unless otherwise stated.

<sup>2</sup> Island East includes North Point/Quarry Bay; Kowloon East Includes Kwun Tong and Kowloon City; and Kowloon West includes Yau Ma Tei/Mong Kok, Sham Shui Po, Kwai Tsing and Tsuen Wan.

## VALUATION REPORT

With the intensifying European debt crisis, slowing economic conditions and weakening external export demands in the eurozone and US in the second half of 2011, trading companies were facing another downturn in external trading. Nevertheless, the strong local retail demand has more than picked up the slack, with retailers actively looking for expansion. As a result, Grade A office rents rose by 17% from Q4/2011 to Q3/2014. Rents in Yau Ma Tei/Mong Kok fell only 1% over the same period on the back of a weakening external trading sector. Moreover, ICC, which is located in Yau Ma Tei district, accommodated many financial tenants and had experienced a decline in rents due to recent financial instability, which in turn restricted the rental growth in Yau Ma Tei/Mong Kok district. The recent Occupy movement in Mongkok was another negative factor on the office sector in this sub market.

### PRICE TRENDS

The property market downturn during the global financial crisis hit the sales market far more severely than the leasing market, as speculators, who entered the market in 2007, sold their holdings throughout 2008 in the face of dampened market sentiment and tightened credit availability. After rising by more than 287% from the trough in May 2003 to the peak in May 2008, Grade A office prices fell by 36% from the peak of May 2008 to the trough of March 2009<sup>3</sup>.

Loosened monetary policy and quantitative easing improved market liquidity, and the once-again active stock market and revitalised leasing market induced good investment sentiment. With improving external demand due to a quick recovery of the global economy, Grade A office prices rose by 62% from Q2/2009 to September 2011. However, the spreading and deteriorating debt crisis in the eurozone and the downgrading of US credit ratings caused fluctuations in the global equity market and dampened expectations of economic growth in the second half of 2011. This caused some short-term fluctuations in office prices over the period.

Nevertheless, the gradual relaxation of macro economic controls in China, as well as the announcement of QE3 in mid-2012, injected renewed optimism into the property investment market, and overall Grade A office prices grew by 8% from Q4/2011 to Q3/2012.

Various measures have been implemented by the government since Q4/2012 to help curb speculation in the property market, including the Buyer's Stamp Duty and Double Stamp Duty, the latter being the first restrictive measure on the commercial market. Nevertheless, despite successfully suppressing transaction volumes, Grade A office prices have been moderate in the third quarter this year and recorded a growth of 6.6% from Q4/2012 to Q3/2014 according to the Rating and Valuation Department.

### SUPPLY<sup>4</sup>

The Asian financial crisis in 1997, combined with a general lack of sites in core office locations, acted to constrain development activity in the latter part of the 1990s, and the supply of offices had fallen to low levels by 2000. The average supply of Grade A office space between 2001 and 2012 stood at 1.7 million sq. ft. per annum, significantly below the 1991 to 2000 average of 3.1 million sq. ft. per annum.

Looking ahead, the new supply of Grade A offices is expected to remain at low levels, particularly in the core areas of Central, Wanchai/Causeway Bay, Tsim Sha Tsui and the Yau Ma Tei/Mong Kok area. Grade A office supply in core areas between 2014 and 2018 is expected to reach approximately 1.4 million sq. ft., or 283,800 sq. ft. per annum, which is below the ten-year average take-up of 0.4 million sq. ft. per annum of core areas recorded between 2004 and 2013. Notably, none of the new supply will be in Yau Ma Tei/Mong Kok.

<sup>3</sup> Source: Rating and Valuation Department

<sup>4</sup> All areas are in sq. ft. net unless otherwise stated.

It is noteworthy that most of the new supply (around 83% from 2014 to 2018 or 6.9 million sq. ft.) will come on-stream outside the core business districts, with the largest supply to be released in the Kowloon East area, which will total 3.8 million sq. ft. over the next five years.

Given the tight availability, tenants in core locations are expected to look at options such as splitting operations, decentralising or downgrading in order to accommodate their changing business needs. Nevertheless, the substantial supply coming on-stream in Kowloon East and Kowloon West may provide more choices for tenants currently located in core areas outside Central, especially Tsim Sha Tsui and Island East, given their proximity.

## VACANCY

The layoffs and belt-tightening measures which took place during the financial crisis have not yet resulted in a large number of surrender cases in the office market. Office vacancy in Kowloon West was at 11.9% in December 2008 as new supply gradually entered the market, Kowloon East vacancy was at 28.5%, while vacancy in Mong Kok stood at 4.6% in the same period<sup>5</sup>.

With the quick economic recovery starting in Q2/2009, tenants have been accelerating decentralisation plans, shifting operation departments from core districts to Kowloon East, Kowloon West and Mong Kok, which significantly helps to pull down vacancy rates in the decentralised areas. Vacancy rates recorded low levels of 1.5% in Kowloon West, 2.7% in Kowloon East and 0.8% in Mong Kok in December 2014.

## OUTLOOK

Demand for office space from the trading sector is expected to remain low as the eurozone debt crisis continues to trouble the consumer market there, with many multinationals holding-up expansion plans.

The continuous expansion of international retail brands in the city means they are still actively pursuing office spaces for their expanded operations, and although many of them may settle in non-core areas due to availability and cost issues, we deem this as a positive drive for the office sector over the next few years.

Therefore, with future office supply remaining tight, the retail sector still actively looking for both retail and office space in non-core areas, and no new supply at all expected to come on-stream in the Mong Kok area, both rents and values should be well supported.

<sup>5</sup> Source: Savills estimates

## VALUATION REPORT

### RETAIL MARKET OVERVIEW

#### RETAIL STOCK

The total stock of private commercial premises<sup>6</sup> in Hong Kong increased by 141% between 1980 and 2013, to total 117 million sq. ft. at the end of 2013<sup>7</sup>. Forty-one percent of private commercial stock is located in Kowloon while Hong Kong Island and the New Territories accounted for around 30% and 29% of the remaining commercial stock respectively, in 2013.

As the total stock of private commercial premises has increased over time, per capita stock<sup>8</sup> has also risen along with increasing income levels. Per capita stock stood at 16.2 sq. ft. per person at the end of 2013, representing an increase of 6.4 sq. ft. per person since 1981.

Being a popular tourist spot as well as a retail and entertainment centre for locals, Yau Tsim Mong plays host to a number of high-profile shopping malls, including Harbour City, K11, i square, Grand Century Place and Langham Place. Total private commercial stock in the area amounted to 22.4 million sq. ft. at the end of 2013, representing 47% of total stock in Kowloon.

Mong Kok is a retail hub popular among local youngsters. Besides large-scale shopping malls, the area is also characterised by clusters of street shops with a balanced mix of trades catering for both locals and tourists.

#### RENTAL TRENDS

The strong rebound in the local economy, as well as the implementation of the Individual Visit Scheme, induced a solid recovery in the retail market, with private retail rents increasing by around 40% from June 2003 to July 2008. During the financial crisis between Q3/2008 to Q2/2009, the global economic downturn hit local consumer confidence, with escalating unemployment rates and declining incomes. Retail sales, particularly in tourist areas, were adversely affected; private retail rents declined by 9% from the peak of Q3/2008 to April 2009, reflecting the short-term nature of the subdued retail sentiment. However, the robust tourist market and improving local consumer sentiment continued to support the growth of retail sales and rents. In addition, international brands have been establishing their flagship stores in tourist areas. Private retail rents recovered and rose by 65% up to November 2014, according to provisional figures from the Rating and Valuation Department. Although the overall retail rent has not recorded any decline, the recent Occupy movement in Mongkok, Central and Causeway Bay should have a negative impact on the individual sub market, many retailers have already announced a fall in retail sales, according to the Census and Statistics Department, Jewellery, watches and clocks, and valuable gifts fell 11.3% in Volume (Jan–Nov 2014 over Jan–Nov 2013).

<sup>6</sup> Defined by the Rating and Valuation Department, private commercial premises include retail premises and other premises designed or adopted for commercial use, with the exception of purpose-built offices. Car parking spaces are excluded.

<sup>7</sup> According to the Rating and Valuation Department, from 2006 onwards private commercial stock figures include properties owned by The Link REIT, which had a total IFA of 10.3 million sq. ft. in 2006.

<sup>8</sup> Total year-end private commercial stock divided by total year-end population.

## PRICE TRENDS

The influx of mainland visitors changed the landscape of the retail market from 2003 onwards and retail prices increased much faster than retail rents, reflecting the optimistic outlook of investors given the implications of this new demand driver for the business growth of retailers. Nevertheless, the dampening of investment sentiment from the middle of 2008, together with the shrinking credit availability, put pressure on less affluent landlords to sell off their holdings at discounted prices. Private retail prices, after rising by more than 145% from a trough in Q2/2003 to July 2008, declined by 17% up to April 2009<sup>9</sup>.

With the availability of liquidity, a shortage of new supply and a positive investment sentiment in the retail sector, the retail investment market was very active from 2010 to 2012, aided by the QE3 by the US Federal Reserves in mid 2012, with private retail prices rising by 214% from April 2009 to the peak in November 2014.

## SUPPLY<sup>10</sup>

Between 1980 and 2013, private commercial supply averaged approximately 1.9 million sq. ft. per annum. However, supply levels were significantly lower in the 2000s compared with the previous two decades. In 2006, shopping centre supply reached a recent peak when some 2.0 million sq. ft. was completed, including some larger scale malls such as Elements located in Tsim Sha Tsui and MegaBox located in Kowloon Bay.

Only 884,990 sq. ft. of major shopping centre supply is expected per year between 2014 and 2018, with the highest proportion of new centres located in the New Territories, representing 84% of total future supply.

All of the new shopping centres forecasted for completion by 2014 are small in scale, with GFAs of less than 130,000 sq. ft.. This is in comparison with some larger shopping centres, such as Hysan Place (400,000 sq. ft.) in Causeway Bay and V City (269,000 sq. ft.) in Tuen Mun which were completed in 2012.

Retail space of the New World Centre redevelopment will be the spotlight in Tsimshatsui upon completion in 2018, however, the retail scale in this project is not yet determined. Notably, most of the large-scale shopping centre supply in the New Territories comprises the retail podiums of large residential estates.

## TAKE-UP AND VACANCY

Take-up averaged approximately 1.5 million sq. ft. per annum between 1980 and 2013, while the vacancy rate averaged approximately 8.1% over the same period. Average take-up between 1980 and 1989, between 1990 and 1999, and between 2000 and 2009 stood at approximately 2.3 million sq. ft., 1.3 million sq. ft. and 827,000 sq. ft. respectively. Besides the maturing nature of the market, the falling take-up is also attributable to falling supply levels. The average take-up between 2004 and 2013 was 1.1 million sq. ft. per annum.

The negative take-up of retail space in 2008 is the result of demand contraction on the back of the global financial crisis, when a number of chain retailers closed in Hong Kong, including Tai Lam and U-Right, which both closed towards the end of that year. Vacancy rates increased to 8.7% in 2008 as a result. With strong tourism spending from mainlanders and international retailers occupying more retail space for flagship stores, the vacancy rate dropped to 7.2% in 2013.

<sup>9</sup> Source: Rating and Valuation Department

<sup>10</sup> All areas are in sq. ft. net unless otherwise stated.

## VALUATION REPORT

### OUTLOOK

In light of the fierce competition among international brands for prime spaces in core areas or traditional shopping districts, such as Central, Causeway Bay, Tsim Sha Tsui and Mong Kok, some are expanding into non-core locations along the railway lines, especially those seeing increasing mainland footfall.

The recent slowdown in retail sales, in particular in the luxury sector, is due mainly to slower Mainland luxury spending, and with a revision of IVS on the cards (most likely implying more restrictions on the current multiple-entry policy) and a possible decline in Mainland spending in response to anti-corruption measures and slower growth, we expect luxury retail sales to continue to slow. Nevertheless, the possible slowdown in luxury sales may be countered by more robust mid-end spending as well as necessities spending by both locals and tourists.

# TRUSTEE'S REPORT

## **TO THE UNITHOLDERS OF CHAMPION REAL ESTATE INVESTMENT TRUST**

(a Hong Kong collective investment scheme authorized 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 and the sixth supplemental deed dated 23 January 2015 for the financial year ended 31 December 2014.

**HSBC Institutional Trust Services (Asia) Limited**  
*in its capacity as the trustee of Champion Real Estate Investment Trust*

Hong Kong, 27 February 2015

# 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 in 2014 are set out below:

- **EXPANSION OF THE INVESTMENT SCOPE OF CHAMPION REIT’S INVESTMENT STRATEGY TO INCLUDE PROPERTY DEVELOPMENT AND RELATED ACTIVITIES AND INVESTMENTS IN CERTAIN FINANCIAL INSTRUMENTS**

On 27 January 2014, the Securities and Futures Commission (“SFC”) issued a consultation paper on amendments to the Code on Real Estate Investment Trusts (“REIT Code”) inviting public comments on proposed amendments to the REIT Code to allow REITs to undertake property development activities and invest in certain financial instruments (“REIT Code Amendments”). The ability of a REIT to do so is subject to certain restrictions including (but not limited to) the following investment caps:

1. the Aggregate Development Costs shall not exceed 10% of the REIT’s gross asset value at any time; and
2. the total sum of (1) the Aggregate Development Costs, (2) the combined value of the Relevant Investments and (3) other non-real estate assets shall not exceed 25% of the REIT’s gross asset value at any time.

The proposals gained majority support, and the REIT Code Amendments became effective from 29 August 2014.

We considered the new flexibility provided by the REIT Code Amendments to be beneficial to Champion REIT as such flexibility will support its long-term and sustainable growth and accordingly, has convened an Extraordinary General Meeting (“EGM”) on 23 December 2014 to seek Unitholders’ approval to, among other things, expand its investment scope of Champion REIT’s investments strategy to include (1) property development and related activities and (2) investments in certain financial instruments. Details of which were set out in the circular to Unitholders dated 26 November 2014. 99.89% and 90.75% of the votes were cast in favour of the above two changes respectively. After the year end, we have also updated the compliance manual of the REIT Manager to contain measures to mitigate the risks relating to the undertaking of the above activities and ensure compliance of the REIT Code.

- **PROPOSED AMENDMENTS TO DISTRIBUTION FORMULA**

The REIT Code requires that a REIT shall distribute to Unitholders each year an amount not less than 90% of its audited annual net income after tax. As the current minimum annual distribution amount required under the Deed of Trust constituting Champion REIT (“Trust Deed”) exceeded the amount required under the REIT Code, we considered it prudent to reconcile the minimum annual distribution stated in the Trust Deed with the minimum annual distribution required under the REIT Code in order to provide the REIT Manager with maximum flexibility to manage cash and achieve its key objectives for Champion REIT (being the provision of stable and sustainable distributions per Unit and the achievement of long-term growth in net asset value per Unit). Accordingly, we have also sought the approval of the Unitholders at the EGM to amend the distribution formula so as to reflect the formula regarding minimum annual distribution requirement under the REIT Code with effect from the distribution period ending 31 December 2017. 99.89% of the votes were cast in favour of the resolution.

- **AMENDMENTS TO THE TRUST DEED**

The Trust Deed was amended to reflect the expanded investment scope of Champion REIT's investment strategy to include property development and related activities and investments in certain financial instruments as well as the amendments to distribution formula as mentioned above. In addition, certain miscellaneous amendments were also made to the Trust Deed to clarify that the provisions as set out in the Trustee Ordinance which provide that a trustee of a trust is not liable for any act or omission of an agent, nominee or custodian acting for the trust if the trustee has discharged the statutory duty of care applicable to the trustee imposed under the revised Trustee Ordinance, is not applicable to Champion REIT.

- **RE-DESIGNATION OF DIRECTORS**

Mr. Cheng Wai Chee, Christopher was appointed a Non-executive Director of the REIT Manager in 2006. He has been re-designated as an Independent Non-executive Director with effect from 16 May 2014. Mr. Cheng is independent and has satisfied the independence criteria contained in the REIT Manager's corporate governance policy as set out in the Compliance Manual of Champion REIT and Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), save and except for one criterion as he has been a Non-executive Director of the REIT Manager until 16 May 2014. We consider that the designation of Independent Non-executive Director better described the role and involvement of Mr. Cheng in the Board.

Mr. Ip Yuk Keung, Albert was appointed an Independent Non-executive Director of the REIT Manager in 2011. He has been re-designated as a Non-executive Director of the REIT Manager with effect from 9 June 2014 as Mr. Ip has been appointed as Executive Director and Chief Executive Officer of LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited (collectively as "Langham") with effect from 9 June 2014. Langham is controlled by Great Eagle Holdings Limited ("Great Eagle"), the controlling unitholder of Champion REIT, and is listed on the Main Board of the Stock Exchange of Hong Kong. The re-designation ensures Champion REIT is in compliance with the REIT Manager's corporate governance policy as contained in the Compliance Manual of Champion REIT.

- **GENERAL MANDATE**

A general mandate for buy-back no more than 10% of Units in the open market was granted by Unitholders at the annual general meeting held on 26 May 2014.

The Board of Directors of the REIT Manager plays a central support and supervisory role in the corporate governance duties. It will regularly review 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.

## CORPORATE GOVERNANCE REPORT

### 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 and 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. Mr. Lee Ching Ming, Adrian, the Executive Director and Chief Executive Officer, Ms. Wong Ka Ki, Ada, the Deputy Chief Executive Officer, Mr. Choo Chong Yao, Patrick, the Chief Investment Officer and Mr. Kwong Chi Kwong, the Chief Operating Officer 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 (the “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.

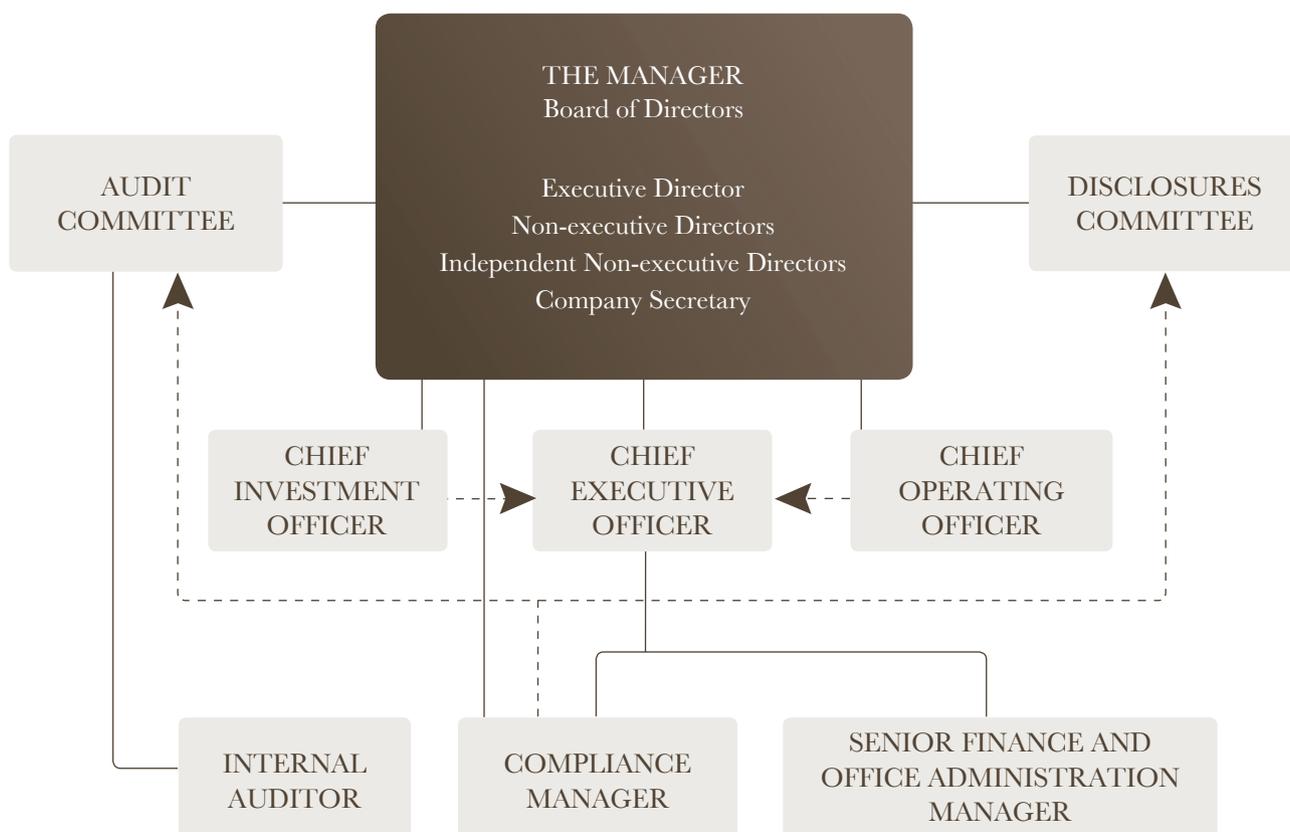
Pursuant to the Property Management Agreement, Eagle Property Management (CP) Limited (the “Property Manager”) will provide property management services, lease management services and marketing services for the properties of Champion REIT located in Hong Kong on an exclusive basis subject to the overall 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, 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 by a First Supplemental Deed dated 5 December 2006, a Second Supplemental Deed dated 4 February 2008, a Third Supplemental Deed dated 9 March 2009, a Fourth Supplemental Deed dated 23 July 2010, a Fifth Supplemental Deed dated 13 March 2012 and Sixth Supplemental Deed dated 23 January 2015.

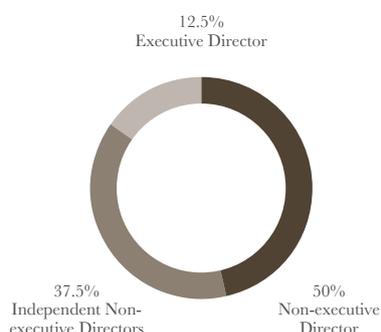
### ORGANISATION AND REPORTING STRUCTURE OF THE REIT MANAGER



# 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 3 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 Mr. Lee Ching Ming, Adrian 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*)  
Ho Shut Kan  
Ip Yuk Keung, Albert\*  
Lo Kai Shui

### *Executive Director*

Lee Ching Ming, Adrian (*Chief Executive Officer*)

### *Independent Non-executive Directors*

Cha Mou Sing, Payson  
Cheng Wai Chee, Christopher\*\*  
Shek Lai Him, Abraham

\* Re-designated from Independent Non-executive Director to Non-executive Director on 9 June 2014

\*\* Re-designated from Non-executive Director to Independent Non-executive Director on 16 May 2014

Biographical details of the Directors are set out on pages 10 to 13 of this Annual Report and published on the Trust's website at [www.ChampionReit.com](http://www.ChampionReit.com). All Directors shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election in accordance with the articles of association of the REIT Manager. If an Independent Non-executive Director serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by Unitholders at Annual General Meeting. Mr. Lo Ka Shui, the Chairman and Non-executive Director 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 of the Manager of the publicly listed trust, Langham Hospitality Investments, of which Great Eagle Holdings Limited has 58.22% interests and Mr. Lo Ka Shui is the Chairman and a Non-executive Director. Apart from that, there are no other financial, business, family or other material or relevant relationships between board members.

## BOARD DIVERSITY

Our Directors are drawn from a broad range of commercial background and experience including expertise in property and financial services. In reviewing 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 authorization 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.

Mr. Cha Mou Sing, Payson, Mr. Cheng Wai Chee, Christopher and Mr. Shek Lai Him, Abraham, the Independent Non-executive Directors of the REIT Manager, have served on the Board since 2006. 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.

# CORPORATE GOVERNANCE REPORT

### 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 periodically to foster the refreshing and ongoing updating of Board members' skills and knowledge.

During the year ended 31 December 2014, the Directors received information packages with focus on the topics of the new Companies Ordinance and Competition Ordinance, latest update of statutory and regulatory requirements relevant to the Directors. Each of the Directors participated in no less than 10 training hours during 31 December 2014, and all the Directors had provided confirmation on their respective training records to the REIT Manager.

### 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.

### INDUCTION

Each newly appointed Director will receive an induction pack to familiarise himself with the business and operations of Champion REIT and the legal framework under which Champion REIT is governed. The induction pack includes but not limited to the Trust Deed, REIT Code, Compliance Manual, Operations Manual, memorandum and articles of association of the REIT Manager, and recent publications of Champion REIT. The Company Secretary 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 2014, 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 currently owned by Champion REIT for the financial year 2014 in the form of Units and the remaining 50% in cash. The Manager's Fee for the year ended 31 December 2014 amounted to approximately HK\$216 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 internal controls. 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. During the year, a formal meeting between the Chairman of the Audit Committee and the Internal Auditor was held without the presence of the management of the REIT Manager.

## CORPORATE GOVERNANCE REPORT

### AUDIT COMMITTEE'S PRINCIPAL RESPONSIBILITIES

The principal duties of the Audit Committee are as follows:

- 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); and
- 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.

The Audit Committee currently comprises 2 Independent Non-executive Directors (namely, Mr. Shek Lai Him, Abraham and Mr. Cheng Wai Chee, Christopher) 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.

## SUMMARY OF MAJOR WORK DONE OF THE AUDIT COMMITTEE IN 2014

During the year 2014, two physical meetings of the Audit Committee were held, and two separate written resolutions were passed by all members of the Audit Committee. The following is a summary of the major work done of the Audit Committee during the year 2014:

- reviewed the Reports of the Internal Auditor;
- reviewed the audited financial statements, the Annual Report and the Final Results Announcement for the year ended 31 December 2013;
- reviewed the unaudited financial statements, the Interim Report and the Interim Results Announcement for the six months ended 30 June 2014;
- 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 2013 and for the six months ended 30 June 2014, which included, among others, the Reports on Connected Party Transactions;
- reviewed and recommended to the Board on the re-designation of Mr. Cheng Wai Chee, Christopher as an Independent Non-executive Director of the REIT Manager;
- reviewed and recommended to the Board on the re-designation of Mr. Ip Yuk Keung, Albert as a Non-executive Director of the REIT Manager and the change in composition of the Audit Committee of the REIT Manager; and
- reviewed and approved the 2014 annual budget/forecasts and annual business plan prepared by the REIT Manager.

### **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.

## CORPORATE GOVERNANCE REPORT

### DISCLOSURES COMMITTEE'S PRINCIPAL RESPONSIBILITIES

The Disclosures Committee works with the management of the REIT Manager to ensure the disclosure of information is accurate and complete. The Disclosures Committee's responsibilities also include:

- 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 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, Mr. Lee Ching Ming, Adrian). Mr. Lee is the Chairman of the Disclosures Committee.

### SUMMARY OF MAJOR WORK DONE OF THE DISCLOSURES COMMITTEE IN 2014

During the year 2014, two physical meetings of the Disclosures Committee were held, and three separate 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 2014:

- reviewed and approved the 2013 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2013, 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 2014 Annual General Meeting;
- reviewed and approved the 2014 Interim Report of Champion REIT and announcements in relation to the 2014 interim results, the payment of Manager's fee in cash and Units and the interim distribution;
- reviewed and approved the draft announcement in relation to the refinancing of existing bank loans of HK\$7,500 million;
- reviewed and approved the draft announcement in relation to re-designation of Mr. Cheng Wai Chee, Christopher as an Independent Non-executive Director of the REIT Manager;
- reviewed and approved the draft announcement in relation to the re-designation of Mr. Ip Yuk Keung, Albert as a Non-executive Director of the REIT Manager and the change in composition of the Audit Committee of the REIT Manager; and
- reviewed and approved the draft announcements in relation to the Change in Information of REIT Manager's Director.

## 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 three 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.

# CORPORATE GOVERNANCE REPORT

The attendance of individual Directors and committee members in 2014 is set out in the table below:

MEMBER	NO. OF MEETINGS ATTENDED/ NO. OF MEETINGS ELIGIBLE TO ATTEND		
	BOARD MEETING	AUDIT COMMITTEE MEETING	DISCLOSURES COMMITTEE MEETING
No. of Meetings held in the year	4	2	2
<b><i>Non-executive Directors</i></b>			
Lo Ka Shui ( <i>Chairman</i> )	4/4	2/2	2/2
Ho Shut Kan	3/4	–	–
Ip Yuk Keung, Albert	4/4	1/1 <sup>1</sup>	–
Lo Kai Shui	4/4	–	–
<b>ATTENDANCE RATE</b>	<b>94%</b>	<b>100%</b>	<b>100%</b>
<b><i>Executive Director</i></b>			
Lee Ching Ming, Adrian ( <i>Chief Executive Officer</i> )	4/4	–	2/2
<b>ATTENDANCE RATE</b>	<b>100%</b>	<b>–</b>	<b>100%</b>
<b><i>Independent Non-executive Directors</i></b>			
Cha Mou Sing, Payson	2/4	–	–
Cheng Wai Chee, Christopher	4/4	1/1 <sup>2</sup>	–
Shek Lai Him, Abraham	4/4	2/2	2/2
<b>ATTENDANCE RATE</b>	<b>83%</b>	<b>100%</b>	<b>100%</b>
<b>OVERALL ATTENDANCE RATE</b>	<b>92%</b>	<b>100%</b>	<b>100%</b>

Notes:

1 Mr Ip Yuk Keung, Albert was re-designated as a Non-executive Director and resigned as the chairman and member of Audit Committee on 9 June 2014.

2 Mr Cheng Wai Chee, Christopher was re-designated as an Independent Non-executive Director on 16 May 2014 and was appointed as the member of Audit Committee on 9 June 2014.

## 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.

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, the Deputy Chief Executive Officer, the Chief Investment Officer, the Chief Operating Officer, the Senior Finance and Office Administration Manager, the Compliance Manager and the Internal Auditor. 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 2014, 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 HOLDINGS LIMITED

The REIT Manager, the Property Manager, Longworth Management Limited (“Longworth”) and The Great Eagle Properties Management Company, Limited (“GEPM”) take up the role of Manager and Property Manager of Champion REIT, DMC Manager and DMC Sub-manager of Citibank Plaza, DMC Manager and CAF Manager of Langham Place, Sub-DMC Manager of Langham Place Office Tower and Estate Manager of the Langham Place Mall (as the case may be). Each of the above companies is a wholly-owned subsidiary of Great Eagle Holdings Limited (“Great Eagle”). Moreover, three members of the Board 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 Citibank Plaza and Langham Place or other properties.

## CORPORATE GOVERNANCE REPORT

### **Business Competition**

Great Eagle, headquartered in Hong Kong, is engaged principally in the development, management and investment in the high quality office, retail, residential 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, investment in, and the development and management of, properties in the office, retail, residential 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 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, the REIT Manager does not anticipate any significant likelihood of conflicts of interests arising between Great Eagle and Champion REIT. Furthermore, given the extensive experience of Longworth and GEPM in the estate management of Citibank Plaza and Langham Place, the REIT Manager considers that it is in the interest of Champion REIT for the existing estate management arrangements to continue. Currently, Longworth and GEPM together have employed more than 200 full-time staff exclusively dedicated to carrying out property management services in respect of Citibank Plaza and Langham Place with a separate office location and IT system.

### **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 Citibank Plaza and Langham Place exclusively and will not perform any property management functions in respect of Great Eagle's 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 the following procedures to deal with conflicts of interests issues:

- 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.

## 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\$1,940,000 (2013: HK\$1,930,000) for audit and audit related services, and HK\$560,000 (2013: HK\$560,000) for non-audit services.

## CORPORATE GOVERNANCE REPORT

### 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 2014 annual general meeting of Champion REIT was held on 26 May 2014; Dr. Lo Ka Shui, Mr. Lee Ching Ming, Adrian, Mr. Ip Yuk Keung, Albert, 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 considering the expansion of the investment scope of Champion REIT's investment strategy to include property development and related activities and investments in certain financial instruments, an extraordinary general meeting was held on 23 December 2014. Dr. Lo Ka Shui, Mr. Lee Ching Ming, Adrian, Mr. Ip Yuk Keung, Albert, 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.

## 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 on page 2 of this Annual Report 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](http://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.

# CORPORATE GOVERNANCE REPORT

In accordance with the Operations Manual, it is an on-going responsibility of the Chief Investment Officer 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](mailto: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 2014 is 94.8%.

## 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.

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 a duly convened meeting and the votes shall be taken by way of poll.

## ISSUE OF FURTHER UNITS

To minimize 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 REIT Code and the Trust Deed. 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, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments (as defined in the Trust Deed)) otherwise than on a pro rata basis to all existing Unitholders and without the approval of Unitholders subject to conditions as more particularly set out in the Trust Deed.

In circumstances where pre-emption rights apply, only to the extent that the Units offered are not taken up by such holders may they be allotted to or issued to other persons or otherwise than pro rata to their existing holdings.

Any issue, grant or offer of Units or Convertible Instruments to a Connected Person of Champion REIT will require specific prior approval of Unitholders by way of an Ordinary Resolution in respect of which the connected person shall be prohibited from voting or being counted in the quorum for the meeting of the Unitholders, unless such issue, grant or offer is made under certain circumstances (where, for the avoidance of doubt, no Unitholders' approval will be required) including:

- (a) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (b) Units are issued to a Connected Person under Clause 11.1.1 of the Trust Deed in or towards the satisfaction of the REIT Manager's fees; or
- (c) Units are issued to a Connected Person pursuant to a reinvestment of distribution in accordance with Clause 20.9 under the Trust Deed.

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.

## CORPORATE GOVERNANCE REPORT

As at 31 December 2014, the total number of issued Units of Champion REIT was 5,744,851,859. As compared with the position of 31 December 2013, a total of 30,987,212 new Units were issued during the year as follows:

DATE	PARTICULARS	NO. OF UNITS
1 January 2014	Number of issued Units	5,713,864,647
11 March 2014	Issue of new Units to the REIT Manager at the price of HK\$3.46 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\$53,358,000 payable by Champion REIT for the six months ended 31 December 2013	15,421,450
27 August 2014	Issue of new Units to the REIT Manager at the price of HK\$3.549 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\$55,243,000 payable by Champion REIT for the six months ended 30 June 2014	15,565,762
<b>31 December 2014</b>	<b>NUMBER OF ISSUED UNITS</b>	<b>5,744,851,859</b>

### INTERNAL CONTROLS

The REIT Manager has a general power of management over the assets of Champion REIT. The Board is entrusted with the overall responsibility for maintaining sound and effective internal control systems to safeguard the assets of the Trust and ensure the smooth running of the business operations. The systems are designed to provide reasonable assurance against material misstatement or loss, and to mitigate risk of failure to meet the business objectives. The REIT Manager has an internal audit function in place to provide an independent assessment of the REIT Manager's internal control systems. During the year, the Internal Auditor has conducted a risk-based review of the policies and procedures described in the Compliance Manual to ensure they have been operated as expected.

The Board is responsible for reviewing the effectiveness of the systems of internal control on an annual basis through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. Through the Audit Committee and the Internal Auditor, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2014. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

The 2-year audit plan is approved by the Audit Committee. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committee and discussed at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Auditor 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 2014 and the assessment of the Audit Committee thereon, the Board considers that the internal control systems are effective and adequate. No significant irregularity or deficiency in internal controls that may affect Unitholders' investment and the Trust's assets were identified.

## **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 “Governing Code”) 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 (“Model Code”) for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to this Governing Code, 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 or others. The Governing Code 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 Governing Code throughout the year ended 31 December 2014.

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 26 May 2014. During the year ended 31 December 2014, neither the REIT Manager nor any of Champion REIT’s special purpose vehicles had purchased, sold or redeemed any Units pursuant to this mandate.

# CORPORATE GOVERNANCE REPORT

## REAL ESTATE SALE AND PURCHASE AND OTHER INVESTMENTS

Champion REIT did not enter into any (i) real estate sales and purchases; (ii) investments in Property Development and Related Activities (as defined in the Trust Deed); (iii) Relevant Investments (as defined in the Trust Deed) during the year ended 31 December 2014. Champion REIT has invested in the Relevant Investments subsequent to the year ended 31 December 2014. The full investment portfolio of the Relevant Investments as at 28 February 2015 is set out below:

	Type	Primary Listing	Country of Issuer	Currency	Total Cost HK\$'000	Mark-to-market Value HK\$'000	Weighting of GAV <sup>Note</sup> %	Credit Rating
KERPRO 5 7/8 04/06/21	Bond	Singapore Exchange	BVI	USD	62,913	61,592	0.0976%	S&P BBB-
NANFUN 4 1/2 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797	9,563	0.0152%	S&P BBB-
NANFUN 4 7/8 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	2,086	2,028	0.0032%	S&P BBB-
Total					74,796	73,183	0.1160%	

Note: By reference to the accounts for the year ended 31 December 2014 as adjusted for any distribution declared and any published valuation.

## 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 2014 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 2014. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2014 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 2014 is set out in the Independent Auditor's Report.

# CONNECTED PARTY TRANSACTIONS 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 2014 (“Year”).

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

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	INCOMES FOR THE YEAR HK\$
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	394,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction <sup>1</sup>	3,050,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Leasing transaction <sup>2</sup>	2,853,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle <sup>3</sup>	Leasing transaction <sup>4</sup>	4,567,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction <sup>5</sup>	7,680,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction <sup>6</sup>	5,690,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Car parking fee	50,000
China Mobile Hong Kong Company Limited	Associate of a Director <sup>7</sup>	Licence fee <sup>8</sup>	234,000
<b>TOTAL</b>			<b>24,518,000<sup>10</sup></b>

## CONNECTED PARTY TRANSACTIONS REPORT

### CONNECTED PARTY TRANSACTIONS – BUILDING MANAGEMENT FEE INCOME (REVENUE)

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	INCOMES FOR THE YEAR HK\$
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income <sup>1</sup>	399,000
Langham Hotels International Limited	Subsidiary of Great Eagle	Building management fee income <sup>2</sup>	461,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle <sup>3</sup>	Building management fee income <sup>4</sup>	664,000
Strong Dynamic Limited	Subsidiary of Great Eagle	Building management fee income <sup>5</sup>	3,851,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Building management fee income <sup>6</sup>	687,000
<b>TOTAL</b>			<b>6,062,000<sup>10</sup></b>

### CONNECTED PARTY TRANSACTIONS – ESTATE MANAGEMENT TRANSACTIONS (EXPENDITURES)

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	EXPENSES FOR THE YEAR HK\$
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	447,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	6,181,000
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Estate management expense	97,517,000 <sup>9</sup>
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services	8,000
Langham Place Hotel (HK) Limited	Subsidiary of Great Eagle <sup>3</sup>	Marketing expense	23,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	188,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Repair and maintenance services	29,000
<b>TOTAL</b>			<b>104,393,000<sup>10</sup></b>

Notes:

1. A security deposit by way of a bank guarantee of approximately HK\$927,000 provided by Eagle Property Management (CP) Limited was held by the Trust as at the Year end date.
2. A security deposit by way of a bank guarantee of approximately HK\$3,133,000 provided by Langham Hotels International Limited was held by the Trust until the termination of tenancy on 7 April 2014.
3. Langham Place Hotel (HK) Limited is the wholly owned subsidiary of Langham Hospitality Investments Limited ("Langham") whereby Great Eagle indirectly held approximately 58.22% interests in Langham as at the Year end date. Accordingly, Langham Place Hotel (HK) Limited is the indirect subsidiary of Great Eagle.
4. A security deposit of approximately HK\$1,351,000 provided by Langham Place Hotel (HK) Limited was held by the Trust as at the Year end date.
5. A security deposit by way of a bank guarantee of approximately HK\$2,882,000 provided by Strong Dynamic Limited was held by the Trust as at the Year end date.
6. A security deposit of approximately HK\$1,408,000 provided by The Great Eagle Properties Management Company, Limited was held by the Trust as at the Year end date.
7. Dr. Lo Ka Shui (directors of Great Eagle and the REIT Manager) is an independent non-executive director of China Mobile Limited, the holding company of China Mobile Hong Kong Company Limited.
8. A security deposit of approximately HK\$39,000 provided by China Mobile Hong Kong Company Limited was held by the Trust as at the Year end date.
9. Out of this HK\$97,517,000, approximately HK\$94,651,000 represented the amount of reimbursement of estate management expenses paid under the Langham Place Mall Estate Management Agreement and remaining amount of approximately HK\$2,866,000 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 31 December 2014; so as to enable the Mall Estate Manager to make payment of estate management expenses.
10. 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 10 December 2013:-

ANNUAL LIMIT FOR THE YEAR ENDING

31 DECEMBER 2014

HK\$

I. Revenue	
Rental income	50,279,000
Building management fee	8,754,000
Total:	<u>59,033,000</u>
II. Expenditure	
Estate management transactions	<u>127,263,000</u>

## CONNECTED PARTY TRANSACTIONS REPORT

### PRE-EXISTING AGREEMENTS

Following the acquisition of the retail, carpark and certain office portions of Langham Place, certain agreements (previously entered into with the Great Eagle Connected Persons Group and/or the SFK Connected Persons Group) in relation to the Langham Place continue to subsist.

### 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	INCOMES/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	94,651,000
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	2,866,000

OTHER PRE-EXISTING AGREEMENTS AND OTHER TRANSACTIONS SUBJECT TO REPORTING REQUIREMENTS UNDER PARAGRAPH 8.14 OF THE REIT CODE

NAME/DESCRIPTION OF AGREEMENT	NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	INCOMES/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 <sup>1</sup>	2,839,000
Office Sub-DMC (sub-deed of mutual covenant) for the Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of the Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense <sup>2</sup>	37,459,000
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	94,140,000
DMC (deed of mutual covenant) for Citibank Plaza	The Great Eagle Properties Management Company, Limited (as DMC Sub-manager appointed by the DMC Manager of Citibank Plaza)	Subsidiary of Great Eagle	Building management fee expense and contribution <sup>3</sup>	142,615,000 <sup>4</sup>

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by The Great Eagle Properties Management Company, Limited in its capacity as DMC Manager of Langham Place as at the 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 Citibank Plaza as at the Year end date.
4. Out of this HK\$142,615,000, approximately HK\$120,860,000 represented the amount of building management fee paid under the DMC for Citibank Plaza and remaining amount of approximately HK\$21,755,000 represented the amount of building management fee contribution for chiller replacement at Citibank Plaza.

## CONNECTED PARTY TRANSACTIONS REPORT

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

#### REIT MANAGER'S FEE

Eagle Asset Management (CP) Limited, a wholly owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager's fee of approximately HK\$216 million 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.

The REIT Manager has notified the Trustee in writing and elected to receive 50% of Manager's Fee in the form of Units and the balance of 50% will be received in cash for the Financial Year 2013. As no change has been made, according to Clause 11.1.2 of the Trust Deed, the way of receipt of Manager's Fee as to 50% in the form of Units and 50% in cash remains applicable to the financial year 2014. For the twelve-month financial year ended 31 December 2014, the REIT Manager's fee paid and payable in the form of Units is in the amount of approximately HK\$108 million and the REIT Manager's fee paid and payable in the form of cash is in the amount of approximately HK\$108 million.

### 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 – ORDINARY BANKING AND FINANCIAL SERVICES

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	INCOMES/EXPENSES FOR THE YEAR HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	786,000
HSBC Group	Trustee Connected Persons	Bank charge	85,000
HSBC <sup>1</sup>	Trustee Connected Persons	Loan interest/expense	32,209,000
Hang Seng <sup>2</sup>	Trustee Connected Persons	Loan interest/expense	134,967,000

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\$400 million as at 31 December 2014.

On 16 May 2014, CP Finance Limited (a special purpose vehicle wholly owned and controlled by Champion REIT) concluded a HK\$3,700 million term loan facility, which, among others, include HSBC and Hang Seng Bank Limited (“Hang Seng”). Hang Seng is also the agent of the finance banks for this loan facility. The outstanding balance due to this syndicated loan was HK\$3,700 million as at 31 December 2014.

On 16 May 2014, CP Success Limited (a special purpose vehicle wholly owned and controlled by Champion REIT) concluded a HK\$3,800 million term loan facility, which, among others, include HSBC and Hang Seng. Hang Seng is also the agent of the finance banks for this loan facility. The outstanding balance due to this syndicated loan was HK\$3,800 million as at 31 December 2014.

Subsequent to the year ended 31 December 2014, EAM-Champion REIT Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) has purchased various slots of bonds through HSBC as broker. The total cost in respect of the bonds amounted to approximately HK\$74,796,000.

## CONNECTED PARTY TRANSACTIONS – LEASING/LICENSING TRANSACTIONS

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	INCOMES FOR THE YEAR HK\$
HSBC	Trustee Connected Persons	Leasing transaction <sup>3</sup>	1,514,000
HSBC	Trustee Connected Persons	Building management fee income <sup>3</sup>	243,000
<b>TOTAL</b>			<b>1,757,000</b>

### Notes:

- HSBC is the lender of the term loan of HK\$1,900 million which was drawn down on 8 July 2013 and outstanding as at 31 December 2014.
- Hang Seng is a subsidiary of HSBC. It acts as the facility agent for the term loan of HK\$7,000 million (which was repaid on 26 May 2014) and also for (i) the term loan and revolving credit facilities of HK\$2,500 million; and (ii) the term loans facilities of (a) HK\$3,700 million; and (b) HK\$3,800 million, which both were drawn down on 26 May 2014. The total outstanding loans as at 31 December 2014 amounted to HK\$9,700 million. Syndicates of lenders of all the facilities include Hang Seng and HSBC.
- A security deposit of approximately HK\$1,275,000 provided by the HSBC Group was held by the Trust until the termination of tenancy on 31 March 2014.

## CONNECTED PARTY TRANSACTIONS REPORT

### CONNECTED PARTY TRANSACTIONS – LEASING/LICENSING TRANSACTIONS WITH ANY MEMBER OF HSBC GROUP UNDER WHICH THE ANNUAL RENT EXCEEDS HK\$1 MILLION

NAME OF CONNECTED PARTY	RELATIONSHIP WITH CHAMPION REIT	NATURE OF CONNECTED TRANSACTION	MATERIAL TERMS	ANNUAL RENT HK\$
HSBC	Trustee Connected Persons	Lease for the whole of Level 18, Office Tower, Langham Place, 8 Argyle Street and 555 Shanghai Street, Mongkok, Kowloon	A Tenancy Agreement was entered into whereby both parties have agreed to extend a further term of 3 years from 1 April 2011 to 31 March 2014	6,055,000

### CONNECTED PARTY TRANSACTIONS – CORPORATE FINANCE TRANSACTION WITH HSBC GROUP

Both the REIT Manager and the Trustee confirm that there was no corporate finance transaction with the HSBC Group during the Year.

### CONNECTED PARTY TRANSACTIONS – OTHERS

During the Year, the trustee fee of approximately HK\$10,891,000 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, an amount of approximately HK\$2,841,000 in aggregate was rendered for services to the Trust by Savills Valuation and Professional Services Limited (“Savills”) and its connected persons. Among these, approximately HK\$301,000 was the valuation fee incurred for services rendered by Savills 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 not sufficient 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 "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 his unqualified letter containing his 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 Real Estate Investment Trust Code granted by the Securities and Futures Commission of Hong Kong. A copy of auditor's letter has been provided by the REIT Manager to the Securities and Futures Commission of Hong Kong.

Hong Kong, 27 February 2015

# DISCLOSURE OF INTERESTS

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

As at 31 December 2014, 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	NUMBER OF UNITS HELD <sup>7</sup>	NUMBER OF UNDERLYING UNITS HELD <sup>7</sup>	TOTAL	PERCENTAGE OF ISSUED UNITS <sup>8</sup>
<i>Directors and Chief Executive of the REIT Manager</i>				
Lo Ka Shui	3,548,593,630	4,454,000	3,553,047,630 <sup>1</sup>	61.85
Cheng Wai Chee, Christopher	13,424,730	—	13,424,730 <sup>4</sup>	0.23
Lee Ching Ming, Adrian	273,250	—	273,250 <sup>5</sup>	0.00
<i>REIT Manager (also a Substantial Unitholder)</i>				
Eagle Asset Management (CP) Limited	307,829,265	—	307,829,265	5.36
<i>Substantial Unitholders</i>				
Great Eagle Holdings Limited	3,541,564,630	4,454,000	3,546,018,630 <sup>2</sup>	61.73
HSBC International Trustee Limited	3,504,999,229	—	3,504,999,229 <sup>3</sup>	61.01
HKSCC Nominees Limited	2,342,792,797	—	2,342,792,797 <sup>6</sup>	40.78
Top Domain International Limited	1,420,416,628	—	1,420,416,628	24.73
Keen Flow Investments Limited	913,580,933	—	913,580,933	15.90
Bright Form Investments Limited	680,232,558	—	680,232,558	11.84

Notes:

1. Among these 3,553,047,630 Units:

- 589,000 Units and 240,000 Units were respectively held by Katherine B L Limited and Elizabeth B K Limited, both of which are wholly-owned by Dr. Lo Ka Shui;
- 6,200,000 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
- 3,546,018,630 Units were indirectly held by Great Eagle Holdings Limited ("Great Eagle") as explained in Note 2 below. Dr. Lo Ka Shui is the Chairman and Managing Director and a substantial shareholder of Great Eagle holding 22.11% voting rights in its share capital as at 31 December 2014.

The unitholdings of Dr. Lo Ka Shui increased by 60,680,762 Units as compared with the position as at 30 June 2014.

2. The 3,546,018,630 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 2014 and 30 June 2014 respectively:

NAME	AS AT 31 DECEMBER 2014		AS AT 30 JUNE 2014	
	NUMBER OF UNITS HELD	NUMBER OF UNDERLYING UNITS HELD	NUMBER OF UNITS HELD	NUMBER OF UNDERLYING UNITS HELD
Top Domain International Limited	1,420,416,628	–	1,420,416,628	–
Keen Flow Investments Limited	913,580,933	–	913,580,933	–
Bright Form Investments Limited	680,232,558	–	680,232,558	–
Eagle Asset Management (CP) Limited	307,829,265	–	292,263,503	–
Fine Noble Limited	155,325,503	–	116,664,503	–
Great Eagle Nichemusic Limited	61,345,743	–	61,345,743	–
Ecobest Ventures Limited	2,834,000	4,454,000	834,000	–

3. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 22 September 2014) received from HSBC International Trustee Limited (“HITL”). When compared to the position as at 30 June 2014, the unitholdings of HITL increased by 56,634,212 Units and decreased by 34,307,898 underlying Units respectively. 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 33.42% interests in Great Eagle as at 31 December 2014. Certain directors of Great Eagle including Dr. Lo Ka Shui and Mr. Lo Kai Shui (who are also directors 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 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 22.11% voting rights in the share capital of Great Eagle as at 31 December 2014.
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 2014.
5. The number of Units held by Mr. Lee Ching Ming, Adrian remained unchanged as compared with the position as at 30 June 2014.
6. As far as the REIT Manager is aware of, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited decreased by 1,716,102 Units when compared to the position as at 30 June 2014.
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 5,744,851,859 as at 31 December 2014.

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 2014 which were required to be notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were required to be recorded in the register kept under Schedule 3 of the Trust Deed.

## HOLDINGS OF OTHER CONNECTED PERSONS

As at 31 December 2014, 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 persons, being also connected persons (as defined under the REIT Code) of Champion REIT, held Units and/or underlying Units of Champion REIT:

NAME	NUMBER OF UNITS HELD	NUMBER OF UNDERLYING UNITS HELD	TOTAL	PERCENTAGE OF ISSUED UNITS <sup>3</sup>
Fortune Mega Investments Limited	163,936,151	–	163,936,151 <sup>1</sup>	2.85
HSBC Group	4,299,123	–	4,299,123 <sup>2</sup>	0.07

Notes:

- These Units were directly held by Fortune Mega Investments Limited. Its intermediate holding companies, Julian Holdings Limited, Kerry Properties Limited, Kerry Properties (Hong Kong) Limited and Spring Capital Holdings Limited, were deemed to be interested in the same parcel of Units. Each of them was a connected person by virtue of being an associate of Mr. Ho Shut Kan (a director of the REIT Manager). Their unitholdings remained unchanged as compared with the position as at 30 June 2014.
- 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 292,360 Units as compared with the position as at 30 June 2014.
- This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,744,851,859 as at 31 December 2014.

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 2014.

## DISCLOSURE OF INTERESTS

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

Great Eagle is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited (“Langham”). As at 31 December 2014, Great Eagle owned 61.76% interests in Champion REIT and 58.22% 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 2014 are disclosed as follows:

#### GREAT EAGLE

Dr. Lo Ka Shui had a personal interest in 59,370,525 shares, 7,310,600 underlying shares and 1,888,000 share options and a corporate interest in 3,870,117 shares of Great Eagle as at 31 December 2014. He is the founder of a discretionary trust which owned 81,788,219 shares of Great Eagle and is also a discretionary beneficiary of another discretionary trust which owned 219,141,330 shares in Great Eagle as at 31 December 2014.

Mr. Lo Kai Shui had a personal interest in 339,508 shares and 500,000 share options and a corporate interest in 661,625 shares of Great Eagle as at 31 December 2014. He is also a discretionary beneficiary of a discretionary trust which owned 219,141,330 shares in Great Eagle as at 31 December 2014.

Mr. Lee Ching Ming, Adrian had a personal interest in 37,110 shares and 386,000 share options of Great Eagle as at 31 December 2014.

#### LANGHAM

Dr. Lo Ka Shui had a corporate interest in 1,000,000 share stapled units of Langham and was deemed to be interested in 1,177,358,849 share stapled units of Langham held by Great Eagle as at 31 December 2014 by virtue of being a substantial shareholder, the Chairman and Manager Director of Great Eagle. He is also a settlor and member of Advisory Committee and Management Committee of a charitable trust which owned 17,200,000 share stapled units in Langham as at 31 December 2014.

Mr. Lee Ching Ming, Adrian had a personal interest in 10,000 share stapled units of Langham as at 31 December 2014.

Mr. Ip Yuk Keung, Albert had a personal interest in 495,000 share stapled units of Langham as at 31 December 2014.

# FINANCIALS

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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))*

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 108 to 154, which comprise the consolidated statement of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

## MANAGER'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager of Champion REIT is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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 requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the “Code”) issued by the Securities and Futures Commission of Hong Kong, 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Appendix C of the 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2014 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 February 2015

# CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Rental income	8	2,054,240	1,961,381
Building management fee income		208,066	190,184
Rental related income	9	25,933	27,703
<b>Total revenue</b>		<b>2,288,239</b>	<b>2,179,268</b>
Property operating expenses	10	(487,866)	(431,466)
<b>Net property income</b>		<b>1,800,373</b>	<b>1,747,802</b>
Interest income		8,209	13,681
Manager's fee	11	(216,045)	(209,736)
Trust and other expenses		(16,982)	(20,707)
Increase in fair value of investment properties	17	889,935	808,988
Change in fair value of derivative components of convertible bonds	23	—	308,236
Gain on settlement of convertible bonds	23	—	29,302
Finance costs	12	(322,040)	(342,700)
<b>Profit before tax and distribution to unitholders</b>	13	<b>2,143,450</b>	<b>2,334,866</b>
Income taxes	14	(214,887)	(136,212)
<b>Profit for the year, before distribution to unitholders</b>		<b>1,928,563</b>	<b>2,198,654</b>
Distribution to unitholders		(1,170,668)	(1,201,226)
<b>Profit for the year, after distribution to unitholders</b>		<b>757,895</b>	<b>997,428</b>
<b>Basic earnings per unit</b>	15	<b>HK\$0.34</b>	<b>HK\$0.39</b>
<b>Diluted earnings per unit</b>	15	<b>HK\$0.34</b>	<b>HK\$0.30</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>Profit for the year, after distribution to unitholders</b>	<b>757,895</b>	<b>997,428</b>
<b>Other comprehensive income (expense):</b>		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Fair value adjustments on cross currency swaps designated as cash flow hedge	48,888	(41,833)
Reclassification of fair value adjustments to profit or loss	(4,214)	(3,081)
	<b>44,674</b>	<b>(44,914)</b>
<b>Total comprehensive income for the year</b>	<b>802,569</b>	<b>952,514</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	17	62,438,000	61,509,000
Derivative financial instruments	24	3,974	–
Total non-current assets		62,441,974	61,509,000
<b>CURRENT ASSETS</b>			
Trade and other receivables	18	184,193	185,352
Tax recoverable		17,015	63,634
Bank balances and cash	19	1,005,090	1,066,437
Total current assets		1,206,298	1,315,423
<b>Total assets</b>		<b>63,648,272</b>	<b>62,824,423</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	1,241,780	1,328,295
Deposits received		542,108	463,122
Tax liabilities		15,380	11,437
Distribution payable		573,614	631,026
Secured bank borrowings	21	–	6,993,085
Total current liabilities		2,372,882	9,426,965
<b>NON-CURRENT LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>			
Secured bank borrowings	21	11,513,630	4,563,396
Medium term note	22	3,070,002	3,065,494
Derivative financial instruments	24	–	41,833
Deferred tax liabilities	25	416,628	362,775
Total non-current liabilities, excluding net assets attributable to unitholders		15,000,260	8,033,498
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>17,373,142</b>	<b>17,460,463</b>
<b>Net assets attributable to unitholders</b>		<b>46,275,130</b>	<b>45,363,960</b>
<b>Number of units in issue ('000)</b>	26	<b>5,744,852</b>	<b>5,713,865</b>
<b>Net asset value per unit</b>	28	<b>HK\$8.06</b>	<b>HK\$7.94</b>

The consolidated financial statements on pages 108 to 154 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 27 February 2015 and were signed on its behalf by:

**Lo Ka Shui**  
DIRECTOR

**Lee Ching Ming, Adrian**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For The Year Ended 31 December 2014

	Issued units HK\$'000 (note 26)	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 2013	23,665,120	–	5,757,943	14,829,137	44,252,200
Profit for the year, after distribution to unitholders	–	–	–	997,428	997,428
Cash flow hedges	–	(44,914)	–	–	(44,914)
Total comprehensive income for the year	–	(44,914)	–	997,428	952,514
Issue of units	159,246	–	–	–	159,246
<b>Net assets attributable to unitholders as at 31 December 2013</b>	<b>23,824,366</b>	<b>(44,914)</b>	<b>5,757,943</b>	<b>15,826,565</b>	<b>45,363,960</b>
Profit for the year, after distribution to unitholders	–	–	–	757,895	757,895
Cash flow hedges	–	44,674	–	–	44,674
Total comprehensive income for the year	–	44,674	–	757,895	802,569
Issue of units	108,601	–	–	–	108,601
<b>Net assets attributable to unitholders as at 31 December 2014</b>	<b>23,932,967</b>	<b>(240)</b>	<b>5,757,943</b>	<b>16,584,460</b>	<b>46,275,130</b>

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 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>INTERIM DISTRIBUTION PERIOD</b>			
Total distributable income		663,394	633,555
Percentage of distributable income for distribution (note (i))		90%	90%
<b>Total distribution amount for Interim Distribution Period</b>		<b>597,054</b>	<b>570,200</b>
<b>FINAL DISTRIBUTION PERIOD</b>			
Total distributable income	16	1,234,403	1,271,340
Less: distributable income paid in Interim Distribution Period		(597,054)	(570,200)
Distributable income available for Final Distribution Period		637,349	701,140
Percentage of distributable income for distribution (note (i))		90%	90%
<b>Total distribution amount for Final Distribution Period</b>		<b>573,614</b>	<b>631,026</b>
<b>Total distribution amounts for the year</b>		<b>1,170,668</b>	<b>1,201,226</b>
<b>DISTRIBUTIONS PER UNIT TO UNITHOLDERS</b>			
Interim distribution per unit paid (note (ii))		<b>HK\$0.1039</b>	<b>HK\$0.0998</b>
Final distribution per unit to be paid (note (iii))		<b>HK\$0.0998</b>	<b>HK\$0.1101</b>
		<b>HK\$0.2037</b>	<b>HK\$0.2099</b>

Notes:

- (i) It is the policy of the Manager to distribute 90% (2013: 90%) of available distributable income as distributions for each of the six month periods ended 30 June (the "Interim Distribution Period") and 31 December (the "Final Distribution Period"). No additional amounts were distributed at the discretion of the Manager for both years.
- (ii) The interim distribution per unit of HK\$0.1039 for the Interim Distribution Period in 2014 was calculated based on the interim distribution paid of HK\$597,054,000 for the period and 5,744,851,859 units as of 22 September 2014, which was the record date for the period. The distribution was paid to unitholders on 9 October 2014.
- The interim distribution per unit of HK\$0.0998 for the Interim Distribution Period in 2013 was calculated based on the interim distribution paid of HK\$570,200,000 for the period and 5,713,864,647 units as of 23 September 2013, which was the record date for the period.
- (iii) The final distribution per unit of HK\$0.0998 for the Final Distribution Period in 2014 is calculated based on the final distribution to be paid of HK\$573,614,000 for the period and 5,744,851,859 units. Such final distribution will be subject to further adjustments upon the issuance of units between 1 January 2015 and 22 May 2015, which is the record date set for such period. The final distribution will be paid to unitholders on 28 May 2015.
- The final distribution per unit of HK\$0.1101 for the Final Distribution Period in 2013 was calculated based on the final distribution paid of HK\$631,026,000 for the period and 5,729,286,097 units as of 26 May 2014, which was the record date for the period.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax and distribution to unitholders	2,143,450	2,334,866
Adjustments for:		
Increase in fair value of investment properties	(889,935)	(808,988)
Change in fair value of derivative components of convertible bonds	–	(308,236)
Gain on settlement of convertible bonds	–	(29,302)
Manager's fee paid and payable in units	108,022	104,868
Interest income	(8,209)	(13,681)
Finance costs	322,040	342,700
Exchange difference	(44)	584
Operating cash flow before movements in working capital	1,675,324	1,622,811
Decrease in trade and other receivables	892	11,220
(Decrease) increase in trade and other payables	(85,313)	28,678
Increase in deposits received	78,986	36,766
Cash generated from operations	1,669,889	1,699,475
Interest paid	(289,141)	(206,231)
Hong Kong Profits Tax paid	(110,472)	(285,246)
<b>Net cash from operating activities</b>	<b>1,270,276</b>	<b>1,207,998</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	8,476	13,356
Additions to investment properties	(39,065)	(42,531)
Acquisition of investment properties	–	(2,268,881)
<b>Net cash used in investing activities</b>	<b>(30,589)</b>	<b>(2,298,056)</b>
<b>FINANCING ACTIVITIES</b>		
Bank origination fees	(73,350)	(39,650)
Redemption of convertible bonds	–	(2,406,481)
New bank loan raised	7,500,000	4,100,000
Repayment of bank loan	(7,500,000)	(2,454,000)
Settlement upon conversion of convertible bonds	–	(322,940)
Proceeds from issuance of medium term note	–	3,100,982
Transaction costs for issuance of medium term note	–	(39,230)
Distribution paid	(1,227,684)	(1,179,268)
<b>Net cash (used in) from financing activities</b>	<b>(1,301,034)</b>	<b>759,413</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(61,347)</b>	<b>(330,645)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,066,437</b>	<b>1,397,082</b>
<b>Cash and cash equivalents at end of year,</b> represented by bank balances and cash	<b>1,005,090</b>	<b>1,066,437</b>

# NOTES

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

### 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 the Manager and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”), and the Code on Real Estate Investment Trusts (the “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”)

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

The application of the new and revised 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.

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

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>3</sup> Effective for first time annual HKFRS financial statements beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2018

# NOTES

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

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

#### HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting. Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, 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. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.
- HKFRS 9 was revised in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments. 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 of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding, are measured at FVTOCI. In addition, 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. 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 Manager anticipates that the application of HKFRS 9 may not have significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities.

The Manager anticipates that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

#### Basis of preparation of consolidated financial statements

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

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.

#### 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.

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 intra-group transactions, balances, income and expenses are eliminated on consolidation.

# NOTES

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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. 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.

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.

#### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 loans and receivables.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (continued)

##### 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 carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

##### Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- 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 loans and receivables, such as trade receivables and other receivables, receivables 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.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loans and receivables 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 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (continued)

##### Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified in accordance with the substance of the contractual arrangements entered into 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.

##### 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.

##### Other financial liabilities

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

##### 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 and hedging

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 uses cross currency swaps to hedge its exposure against changes in exchange and interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

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.

##### 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. 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 is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or 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

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### 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.

# NOTES

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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 leases 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 on 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.

#### 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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 the 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Taxation (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property”, 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.

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.

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.

### 4. CRITICAL ACCOUNTING JUDGEMENTS 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 judgements, 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.

#### Critical judgement in applying accounting policies

The following is the critical judgement, 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.

#### 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, rather than through sale. 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.

# NOTES

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

### 4. CRITICAL ACCOUNTING JUDGEMENTS 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 third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The 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 independent professional valuers. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 17.

In addition, as described in note 24, 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 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 and cross currency swaps may arise. In relying on the valuation reports, management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions.

### 5. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
<b>FINANCIAL ASSETS</b>		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	3,974	–
<i>Loans and receivables</i>		
Trade and other receivables	22,571	23,895
Bank balances and cash	1,005,090	1,066,437
	<b>1,027,661</b>	<b>1,090,332</b>
<b>FINANCIAL LIABILITIES</b>		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	–	41,833
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	233,345	225,116
Distribution payable	573,614	631,026
Secured bank borrowings	11,513,630	11,556,481
Medium term note	3,070,002	3,065,494
	<b>15,390,591</b>	<b>15,478,117</b>

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

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

The Group's major financial instruments include secured bank borrowings, medium term note, trade and other receivables, bank balances and cash, trade and other payables 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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (i) Currency risk

The Group's medium term note is 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 note. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 24 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 arises mainly from its variable-rate secured bank borrowings (see note 21 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, medium term note and debt portion of the convertible bonds.

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate term loans. The Manager will continue to monitor the interest rate risk to the Group and take actions such as using interest rate swap 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, 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 (2013: 50) basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

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For the Year Ended 31 December 2014

### 5. 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 2014 would decrease/increase by HK\$58,000,000 (2013: HK\$58,000,000). This is mainly attributable to the Group's exposure to interest rates on its secured variable-rate term loans amounting to HK\$11,600,000,000 (2013: HK\$11,600,000,000) which are not hedged.

##### (iii) Credit risk

As at 31 December 2014, 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 reviews the recoverable amount of each individual trade debtor regularly 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, 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 Code issued by the Securities and Futures Commission concerning limits on total borrowings and monitors the level of borrowings to be within the permitted limit.

The Group has cash and cash equivalents of HK\$1,005,090,000 as at 31 December 2014 (2013: HK\$1,066,437,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK\$11,900,000,000 (2013: HK\$11,900,000,000), of which HK\$11,600,000,000 (2013: HK\$11,600,000,000) was drawn as at 31 December 2014. The undrawn committed facility in the form of revolving bank loans totalled HK\$300,000,000 as at 31 December 2014 (2013: HK\$300,000,000). Details of which are set out in note 21.

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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. As detailed in note 22, the Group issued an aggregate principal amount of US\$400,000,000 as at 31 December 2014 (2013: US\$400,000,000).

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 (2013: HK\$300,000,000) and a balance of US\$600,000,000 (2013: US\$600,000,000) 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 2014, the Group's current liabilities exceeded its current assets by HK\$1,166,584,000 (2013: HK\$8,111,542,000). Management reviews the Group's financial position and will negotiate with banks to refinance any existing secured term loan which is due within one year. 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 Code. As at 31 December 2014, the gearing ratio was 23.1% (2013: 23.4%). The ratio is calculated as total borrowings (principal amounts of secured bank borrowings and medium term note) 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.

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## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

### 5. 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
<b>As at 31 December</b>							
<b>2014</b>							
<i>Non-interest bearing</i>							
Trade and other receivables	–	22,571	–	–	–	22,571	22,571
<i>Variable interest rate</i>							
Bank balances and cash	0.64	1,005,129	–	–	–	1,005,129	1,005,090
<b>Total</b>		<b>1,027,700</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,027,700</b>	<b>1,027,661</b>
<i>Non-interest bearing</i>							
Trade and other payables	–	(180,565)	–	–	–	(180,565)	(180,565)
Distribution payable	–	(573,614)	–	–	–	(573,614)	(573,614)
		(754,179)	–	–	–	(754,179)	(754,179)
<i>Variable interest rate instruments</i>							
Secured term loans	1.56	(180,931)	(2,363,205)	(9,615,964)	–	(12,160,100)	(11,513,630)
<i>Fixed interest rate instruments</i>							
Medium term note	3.75	(116,352)	(116,352)	(349,056)	(3,509,952)	(4,091,712)	(3,070,002)
<b>Total</b>		<b>(1,051,462)</b>	<b>(2,479,557)</b>	<b>(9,965,020)</b>	<b>(3,509,952)</b>	<b>(17,005,991)</b>	<b>(15,337,811)</b>

## 5. 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
<b>As at 31 December 2013</b>							
<i>Non-interest bearing</i>							
Trade and other receivables	–	23,895	–	–	–	23,895	23,895
<i>Variable interest rate</i>							
Bank balances and cash	0.99	1,066,439	–	–	–	1,066,439	1,066,437
<b>Total</b>		<b>1,090,334</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,090,334</b>	<b>1,090,332</b>
<i>Non-interest bearing</i>							
Trade and other payables	–	(171,758)	–	–	–	(171,758)	(171,758)
Distribution payable	–	(631,026)	–	–	–	(631,026)	(631,026)
		(802,784)	–	–	–	(802,784)	(802,784)
<i>Variable interest rate instruments</i>							
Secured term loans	1.29	(7,108,737)	(573,845)	(4,197,770)	–	(11,880,352)	(11,556,481)
<i>Fixed interest rate instruments</i>							
Medium term note	3.75	(116,310)	(116,310)	(348,930)	(3,624,995)	(4,206,545)	(3,065,494)
<b>Total</b>		<b>(8,027,831)</b>	<b>(690,155)</b>	<b>(4,546,700)</b>	<b>(3,624,995)</b>	<b>(16,889,681)</b>	<b>(15,424,759)</b>

The following tables detail 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, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. 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 HK\$'000
<i>Derivatives – net settlement</i>					
<b>As at 31 December 2014</b>					
Derivative financial instruments	88	(350)	782	3,454	3,974
	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<i>Derivatives – net settlement</i>					
<b>As at 31 December 2013</b>					
Derivative financial instruments	(4,672)	(4,751)	(14,294)	(18,116)	(41,833)

# NOTES

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

### 5. 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.

### 6. 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 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
<b>As at 31 December 2014</b>				
<i>Derivative financial assets</i>				
Cross currency swaps	–	3,974	–	3,974
<b>As at 31 December 2013</b>				
<i>Derivative financial liabilities</i>				
Cross currency swaps	–	(41,833)	–	(41,833)

There were no transfers between Levels 1 and 2 in both current and last years.

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
	2014 HK\$'000	2013 HK\$'000		
Cross currency swaps classified as derivative financial assets/ (liabilities) in the consolidated statement of financial position	3,974	(41,833)	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, discounted at a rate that reflects the credit risk of various counterparties.

## 7. 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 Citibank Plaza, Langham Place Office Tower and Langham Place Mall.

### Segment revenue and results

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

**For the year ended 31 December 2014**

	<b>Citibank Plaza HK\$'000</b>	<b>Langham Place Office Tower HK\$'000</b>	<b>Langham Place Mall HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Revenue</b>	<b>1,171,008</b>	<b>319,879</b>	<b>797,352</b>	<b>2,288,239</b>
<b>Segment results – Net property income</b>	<b>932,169</b>	<b>253,111</b>	<b>615,093</b>	<b>1,800,373</b>
Interest income				8,209
Manager's fee				(216,045)
Trust and other expenses				(16,982)
Increase in fair value of investment properties				889,935
Finance costs				(322,040)
<b>Profit before tax and distribution to unitholders</b>				<b>2,143,450</b>
Income taxes				(214,887)
<b>Profit for the year, before distribution to unitholders</b>				<b>1,928,563</b>
Distribution to unitholders				(1,170,668)
<b>Profit for the year, after distribution to unitholders</b>				<b>757,895</b>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
(Decrease) increase in fair value of investment properties	(1,607,065)	488,000	2,009,000	889,935

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For the Year Ended 31 December 2014

### 7. SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results (continued)

For the year ended 31 December 2013

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
<b>Revenue</b>	<b>1,201,996</b>	<b>288,933</b>	<b>688,339</b>	<b>2,179,268</b>
<b>Segment results – Net property income</b>	<b>990,022</b>	<b>231,872</b>	<b>525,908</b>	<b>1,747,802</b>
Interest income				13,681
Manager's fee				(209,736)
Trust and other expenses				(20,707)
Increase in fair value of investment properties				808,988
Change in fair value of derivative components of convertible bonds				308,236
Gain on settlement of convertible bonds				29,302
Finance costs				(342,700)
<b>Profit before tax and distribution to unitholders</b>				<b>2,334,866</b>
Income taxes				(136,212)
<b>Profit for the year, before distribution to unitholders</b>				<b>2,198,654</b>
Distribution to unitholders				(1,201,226)
<b>Profit for the year, after distribution to unitholders</b>				<b>997,428</b>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
(Decrease) increase in fair value of investment properties	(1,036,012)	197,000	1,648,000	808,988

## 7. SEGMENT INFORMATION (CONTINUED)

### Other segment information

	Citibank Plaza HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
<b>For the year ended 31 December 2014</b>				
Additions to non-current assets	39,065	–	–	39,065
<b>For the year ended 31 December 2013</b>				
Acquisition of non-current assets	2,360,481	–	–	2,360,481
Additions to non-current assets	42,531	–	–	42,531
	2,403,012	–	–	2,403,012

### Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2014, the fair value of Citibank Plaza, Langham Place Office Tower and Langham Place Mall was HK\$36,332,000,000 (2013: HK\$37,900,000,000), HK\$7,869,000,000 (2013: HK\$7,381,000,000) and HK\$18,237,000,000 (2013: HK\$16,228,000,000), respectively.

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

### Geographical information

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

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

### Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the year ended 31 December 2014. For the year ended 31 December 2013, revenue from tenants contributing over 10% of the total revenue of the Group consists of one tenant of Citibank Plaza with revenue amounting to HK\$224,203,000.

## 8. RENTAL INCOME

	2014 HK\$'000	2013 HK\$'000
Rental income	2,017,018	1,925,737
Car park income	37,222	35,644
	<b>2,054,240</b>	<b>1,961,381</b>

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### 9. RENTAL RELATED INCOME

	2014 HK\$'000	2013 HK\$'000
Interest income from tenants	126	127
Promotional levy income	9,958	9,045
Surplus on forbearance fee	–	2,031
Sundry income	15,849	16,500
	<b>25,933</b>	<b>27,703</b>

### 10. PROPERTY OPERATING EXPENSES

	2014 HK\$'000	2013 HK\$'000
Building management expenses	256,060	224,564
Car park operating expenses	12,078	9,610
Government rent and rates	68,277	65,863
Legal cost and stamp duty	6,253	4,924
Promotion expenses	17,564	17,462
Property and lease management service fee	61,683	59,565
Property miscellaneous expenses	2,462	2,421
Rental commission	51,567	33,977
Repairs and maintenance	11,922	13,080
	<b>487,866</b>	<b>431,466</b>

### 11. 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 2014 and 31 December 2014, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2014 and 31 December 2014 as remuneration.

	2014 HK\$'000	2013 HK\$'000
<b>MANAGER'S FEE:</b>		
In the form of units	108,022	104,868
In the form of cash	108,023	104,868
	<b>216,045</b>	<b>209,736</b>

Pursuant to election allowed by the Trust Deed on 30 November 2012, the Manager has elected 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2014 arising from the properties currently owned by Champion REIT shall be settled in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% will be received in cash.

## 12. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
<b>FINANCE COSTS REPRESENT:</b>		
Interest expense on bank borrowings wholly repayable within five years	200,713	159,496
Interest expense on convertible bonds wholly repayable within five years	–	71,136
Interest expense on medium term note not wholly repayable within five years	119,827	110,779
Other borrowing costs	1,500	1,289
	<b>322,040</b>	<b>342,700</b>

## 13. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2014 HK\$'000	2013 HK\$'000
<b>PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING):</b>		
Auditors' remuneration	1,940	1,920
Trustee's remuneration	10,891	10,534
Principal valuer's fee	301	299
Other professional fees and charges	3,800	7,180
Roadshow and public relations expenses	43	42
Bank charges	223	189
Exchange difference	(44)	584

## 14. INCOME TAXES

	2014 HK\$'000	2013 HK\$'000
<b>HONG KONG PROFITS TAX:</b>		
<b>CURRENT TAX</b>		
– Current year	161,046	103,053
– (Over)Underprovision in prior years	(12)	10,425
	<b>161,034</b>	<b>113,478</b>
<b>DEFERRED TAX (NOTE 25)</b>		
– Current year	53,853	32,368
– Overprovision in prior years	–	(9,634)
	<b>53,853</b>	<b>22,734</b>
	<b>214,887</b>	<b>136,212</b>

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

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For the Year Ended 31 December 2014

### 14. INCOME TAXES (CONTINUED)

During the year ended 31 December 2013, the Group revised the depreciation allowances claim of certain investment properties and resulted in an underprovision of current tax in prior years of HK\$10,425,000 and overprovision of deferred tax in prior years of HK\$9,634,000.

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

	2014 HK\$'000	2013 HK\$'000
<b>Profit before tax and distribution to unitholders</b>	<b>2,143,450</b>	<b>2,334,866</b>
Tax at the domestic income tax rate of 16.5%	353,669	385,253
Tax effect of income not taxable for tax purpose	(148,247)	(191,719)
Tax effect of expenses not deductible for tax purpose	10,657	13,577
(Over)Underprovision in prior years	(12)	791
Utilisation of tax loss previously not recognised	(1,180)	(78,677)
Tax effect of tax losses not recognised	–	6,987
<b>Income taxes for the year</b>	<b>214,887</b>	<b>136,212</b>

### 15. BASIC AND DILUTED EARNINGS PER UNIT

The calculation of the basic and diluted earnings per unit before distribution to unitholders is based on the following data:

	2014 HK\$'000	2013 HK\$'000
<b>EARNINGS</b>		
<b>Profit for the year, before distribution to unitholders for the purpose of basic earnings per unit</b>	<b>1,928,563</b>	<b>2,198,654</b>
Effect of dilutive potential units:		
Interest on convertible bonds (net of tax effect)	–	71,136
Change in fair value of derivative components of convertible bonds	–	(308,236)
Gain on settlement of convertible bonds	–	(29,302)
<b>Profit for the year, before distribution to unitholders for the purpose of diluted earnings per unit</b>	<b>1,928,563</b>	<b>1,932,252</b>

## 15. BASIC AND DILUTED EARNINGS PER UNIT (CONTINUED)

	2014	2013
<b>NUMBER OF UNITS</b>		
<b>Weighted average number of units for the purpose of basic earnings per unit</b>	<b>5,735,432,056</b>	<b>5,699,794,929</b>
Effect of dilutive potential units:		
Convertible bonds	–	669,378,995
<b>Weighted average number of units for the purpose of diluted earnings per unit</b>	<b>5,735,432,056</b>	<b>6,369,173,924</b>

There were no dilutive potential units during the year ended 31 December 2014, therefore the diluted earnings per unit is the same as the basic earnings per unit.

## 16. TOTAL DISTRIBUTABLE INCOME

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 period. The Adjustments to arrive at total distributable income for the year are set out below:

	2014 HK\$'000	2013 HK\$'000
<b>Profit for the year, before distribution to unitholders</b>	<b>1,928,563</b>	<b>2,198,654</b>
Adjustments:		
Manager's fee paid and payable in units	108,022	104,868
Increase in fair value of investment properties	(889,935)	(808,988)
Change in fair value of derivative components of convertible bonds	–	(308,236)
Non-cash gain	–	(29,302)
Non-cash finance costs	33,900	91,610
Deferred tax	53,853	22,734
<b>Total distributable income</b>	<b>1,234,403</b>	<b>1,271,340</b>

# NOTES

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### 17. INVESTMENT PROPERTIES

	2014 HK\$'000	2013 HK\$'000
<b>FAIR VALUE</b>		
At the beginning of the year	61,509,000	58,297,000
Acquisition of investment properties	–	2,360,481
Additions during the year	39,065	42,531
Increase in fair value	889,935	808,988
	<b>62,438,000</b>	<b>61,509,000</b>

On 11 July 2013, the Group completed the acquisition of a portion of the third floor and the whole of the fourth, fifth and sixth floors of Citibank Tower (the “Acquisition”) for a consideration of HK\$2,155,302,000. The Acquisition was funded by the drawdown of a new bank borrowings as disclosed in note 21(iv) and internal resources. Transaction costs incurred in relation to the Acquisition included a stamp duty of HK\$183,201,000 and acquisition fees paid to the Manager and Trustee of HK\$21,553,000 and HK\$100,000, respectively.

The fair value of the Group’s investment properties at 31 December 2014 and 31 December 2013 has been arrived at on the basis of valuation carried out by Savills Valuation and Professional Services 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 under medium-term leases, are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 December 2014, certain investment properties with total fair value of HK\$42,746,000,000 (2013: HK\$43,778,000,000) have been mortgaged as security for credit facilities as detailed in note 21.

## 17. 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
<b>At 31 December 2014</b>					
Citibank Plaza	Level 3	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.3% 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\$4,700 million (capitalisation rate of 3.8% for office and 4.75% for retail) and increase by approximately HK\$6,400 million (capitalisation rate of 2.8% for office and 3.75% for retail) 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\$1,800 million and decrease by approximately HK\$1,800 million, respectively.
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 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\$2,800 million (capitalisation rate of 4.5%) and increase by approximately HK\$3,700 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\$1,300 million and decrease by approximately HK\$1,300 million, respectively.

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### 17. 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
<b>At 31 December 2013</b>					
Citibank Plaza	Level 3	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.3% 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\$4,900 million (capitalisation rate of 3.8% for office and 4.75% for retail) and increase by approximately HK\$6,700 million (capitalisation rate of 2.8% for office and 3.75% for retail) 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\$1,900 million and decrease by approximately HK\$1,900 million, respectively.
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 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\$2,600 million (capitalisation rate of 4.5%) and increase by approximately HK\$3,300 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\$1,200 million and decrease by approximately HK\$1,200 million, respectively.

## 18. TRADE AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Trade receivables	22,067	23,032
Deferred rent receivables	112,888	99,808
Deposits, prepayments and other receivables	49,238	62,512
	<b>184,193</b>	<b>185,352</b>

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:

	2014 HK\$'000	2013 HK\$'000
0 – 3 months	22,067	23,032

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$22,067,000 (2013: HK\$23,032,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

## 19. BANK BALANCES AND CASH

	2014 HK\$'000	2013 HK\$'000
Cash on hand	2	2
Cash at bank	344,271	269,655
Time deposits	660,817	796,780
	<b>1,005,090</b>	<b>1,066,437</b>

Bank balances carry interest at market rates of 0.001% to 0.31% (2013: 0.001% to 0.01%) per annum. Time deposits have original maturity of less than three months and carry interest at market rates which range from 0.60% to 1.10% (2013: 0.90% to 1.50%) per annum.

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### 20. TRADE AND OTHER PAYABLES

	2014 HK\$'000	2013 HK\$'000
Trade payables	64,792	54,408
Rental received in advance	21,182	16,154
Other payables	192,331	294,258
Accrued stamp duty	963,475	963,475
	<b>1,241,780</b>	<b>1,328,295</b>

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2013: 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 Citibank Plaza upon listing.

As at 31 December 2013, other payables included an accrual for stamp duty of HK\$91,600,000 in regards to the Acquisition.

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

	2014 HK\$'000	2013 HK\$'000
0 – 3 months	64,792	54,408

### 21. SECURED BANK BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Secured bank borrowings	11,600,000	11,600,000
Loan front-end fee	(86,370)	(43,519)
	<b>11,513,630</b>	<b>11,556,481</b>

The maturity of the above secured bank borrowings is as follows:

Within one year	–	6,993,085
More than one year but not exceeding two years	2,190,677	497,858
More than two years but not exceeding five years	9,322,953	4,065,538
	<b>11,513,630</b>	<b>11,556,481</b>
Less: amount due within one year shown under current liabilities	–	(6,993,085)
Amount due after one year	<b>11,513,630</b>	<b>4,563,396</b>

## 21. SECURED BANK BORROWINGS (CONTINUED)

The secured bank borrowings comprise the following:

- (i) In June 2008, the Group arranged a syndicated facility of HK\$2,954,000,000, comprising a HK\$2,454,000,000 term loan and a HK\$500,000,000 revolving credit facility. The facility bore interest at floating interest rate of 1-month HIBOR plus 0.59% per annum and was fully repaid in June 2013.

The facility was refinanced in June 2013 with a syndicated facility of HK\$2,500,000,000, comprising a HK\$2,200,000,000 term loan and a HK\$300,000,000 revolving credit facility. The facility bears interest at a floating interest rate of 1-month HIBOR plus 1.35% per annum and is repayable in full in June 2016. The total facility drawn down by the Group as at 31 December 2014 was HK\$2,200,000,000 (2013: HK\$2,200,000,000).

- (ii) In May 2011, the Group arranged a syndicated term loan of HK\$7,000,000,000. The facility bore interest at a floating interest rate of 1-month HIBOR plus 0.93% per annum and was fully repaid in May 2014.
- (iii) In September 2012, the Group arranged a bilateral term loan of HK\$500,000,000. The facility bears interest at floating interest rate of 1-month HIBOR plus 1.85% per annum and was due to repay in September 2015. In May 2014, the Group made a voluntary prepayment and prepaid the outstanding amount of HK\$500,000,000 in full.
- (iv) In July 2013, the Group arranged a bilateral term loan of HK\$1,900,000,000. The facility bears interest at floating interest rate of 1-month HIBOR plus 1.48% per annum and is repayable in full in July 2018.
- (v) In May 2014, the Group arranged two syndicated term loans of HK\$3,700,000,000 and HK\$3,800,000,000 respectively for the purpose of refinancing the loans mentioned in (ii) and (iii) above.

The term loan facility of HK\$3,700,000,000 bears interest at a floating interest rate of 1-month HIBOR plus 1.20% per annum and is repayable in full in May 2017. The term loan facility of HK\$3,800,000,000 bears interest at a floating interest rate of 1-month HIBOR plus 1.36% per annum and is repayable in full in May 2019.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK\$42,746,000,000 as at 31 December 2014 (2013: HK\$43,778,000,000) 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.

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### 22. MEDIUM TERM NOTE

	2014 HK\$'000	2013 HK\$'000
Medium term note	3,102,720	3,101,600
Origination fees	(32,718)	(36,106)
	<b>3,070,002</b>	<b>3,065,494</b>

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term notes 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. On 17 January 2013, the Group issued US\$400,000,000. The issued medium term note bears interest at a fixed rate of 3.75% per annum and is repayable in full on 17 January 2023. The foreign currency rate and interest rate are fixed by the use of cross currency swaps.

### 23. CONVERTIBLE BONDS

On 3 June 2008, the Group, through a subsidiary Fair Vantage Limited (“Bonds Issuer”), issued HK\$4,680,000,000 1% guaranteed convertible bonds due June 2013 (“Bonds”).

During the year ended 31 December 2013, an aggregate principal amount of HK\$322,940,000 of the Bonds was converted at a conversion price of HK\$3.34 per unit, which came into effect since 21 May 2013 as a result of Excess Distribution (as defined in the terms and conditions of the Bonds) adjustment. The Bonds Issuer settled the conversions by (a) cash payment of HK\$322,940,000 and (b) the issuance of 12,395,029 units of Champion REIT and resulted in a gain of HK\$29,302,000 which was recognised in the profit or loss.

On 3 June 2013, the bonds maturity date, the Bonds Issuer redeemed the then outstanding principal of HK\$1,941,650,000 at the redemption price of 123.94% by an aggregate amount of HK\$2,406,481,000. After the redemption, certain investment properties together with the assignment of insurance proceeds which have been granted and mortgaged in favour of the bond holders were released and discharged.

The Bonds contained liability component stated at amortised cost and derivative components stated at fair value. The effective interest rate of the liability component was 6.375% per annum.

## 23. CONVERTIBLE BONDS (CONTINUED)

The movement of the liability and derivative components of the convertible bonds for the year ended 31 December 2013 is set out as below:

	2013 HK\$'000
<b>LIABILITY COMPONENT</b>	
At the beginning of the year	2,742,781
Interest charged	71,136
Interest paid	(7,950)
Conversion during the year	(399,486)
Redemption during the year	(2,406,481)
<b>At the end of the year</b>	<b>–</b>
<b>DERIVATIVE COMPONENTS</b>	
At the beginning of the year	308,563
Change in fair value	(308,236)
Conversion during the year	(327)
<b>At the end of the year</b>	<b>–</b>
<b>Total convertible bonds</b>	<b>–</b>

## 24. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 HK\$'000	2013 HK\$'000
<b>Non-current asset</b>		
Cash flow hedge – cross currency swaps	3,974	–
<b>Non-current liability</b>		
Cash flow hedge – cross currency swaps	–	41,833

The Group entered cross currency swaps with The Hongkong and Shanghai Banking Corporation Limited, a connected person as defined in the Code, to minimise the exposure to fluctuations in foreign currency and interest rate of the medium term note, which is denominated in United States dollars, in respect of the principal and fixed rate interest payments.

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

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For the Year Ended 31 December 2014

### 24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

<b>Notional amount</b>	<b>Maturity</b>	<b>Exchange rate</b>	<b>Interest rate</b>	<b>Interest period</b>	<b>Total hedged item</b>
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\$50,000,000	17 January 2023	HK\$7.7541: US\$1	3.75%	Quarterly	Medium term note principal and coupon payments

The fair value of the above derivatives is based on the valuation provided by the counterparty financial institution 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 gain on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$48,888,000 (2013: loss on changes of HK\$41,833,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$4,214,000 (2013: HK\$3,081,000) 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 payment.

## 25. DEFERRED TAX LIABILITIES

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

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Tax losses HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 January 2013	350,282	(10,241)	340,041
Charge to consolidated income statement during the year	40,862	(8,494)	32,368
Overprovision in prior years	(9,634)	–	(9,634)
<b>As at 31 December 2013</b>	<b>381,510</b>	<b>(18,735)</b>	<b>362,775</b>
Charge to consolidated income statement during the year	39,010	14,843	53,853
<b>As at 31 December 2014</b>	<b>420,520</b>	<b>(3,892)</b>	<b>416,628</b>

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 2014, the Group has unutilised tax losses amounting to HK\$537,267,000 (2013: HK\$634,377,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$23,586,000 (2013: HK\$113,547,000) of such losses. No deferred tax asset has been recognised in respect of the remaining of HK\$513,681,000 (2013: HK\$520,830,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

## 26. ISSUED UNITS

	<b>Number of units</b>	<b>HK\$'000</b>
Balance at 1 January 2013	5,671,360,403	23,665,120
Payment of Manager's fee through issuance of new units during the year (note (i))	30,109,215	111,675
Units issued upon the conversion of convertible bonds (note 23)	12,395,029	47,571
<b>Balance at 31 December 2013</b>	<b>5,713,864,647</b>	<b>23,824,366</b>
Payment of Manager's fee through issuance of new units during the year (note (i))	30,987,212	108,601
<b>Balance at 31 December 2014</b>	<b>5,744,851,859</b>	<b>23,932,967</b>

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### 26. ISSUED UNITS (CONTINUED)

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
<b>In 2014</b>				
11 March 2014	1.7.2013 to 31.12.2013	3.460	53,358	15,421,450
27 August 2014	1.1.2014 to 30.6.2014	3.549	55,243	15,565,762
			<b>108,601</b>	<b>30,987,212</b>
<b>In 2013</b>				
8 March 2013	1.7.2012 to 31.12.2012	3.974	60,165	15,139,755
23 August 2013	1.1.2013 to 30.6.2013	3.441	51,510	14,969,460
			<b>111,675</b>	<b>30,109,215</b>

### 27. MAJOR NON CASH TRANSACTIONS

- (i) During the year ended 31 December 2014, 30,987,212 (2013: 30,109,215) units were issued as payment for the Manager's fee, amounting to HK\$108,601,000 (2013: HK\$111,675,000).
- (ii) During the year ended 31 December 2013, 12,395,029 units were issued upon the conversion of the Bonds.

### 28. 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 2014 of HK\$46,275,130,000 (2013: HK\$45,363,960,000) by the number of units in issue of 5,744,851,859 (2013: 5,713,864,647) as at 31 December 2014.

### 29. NET CURRENT LIABILITIES

At 31 December 2014, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$1,166,584,000 (2013: HK\$8,111,542,000).

### 30. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2014, the Group's total assets less current liabilities amounted to HK\$61,275,390,000 (2013: HK\$53,397,458,000).

### 31. OPERATING LEASE COMMITMENTS

At 31 December 2014, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	1,814,609	1,725,946
In the second to fifth year inclusive	3,165,460	2,511,985
Over five years	457,017	385,320
	<b>5,437,086</b>	<b>4,623,251</b>

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\$97,010,000 (2013: HK\$99,525,000) 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.

### 32. CAPITAL COMMITMENT

	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	<b>43,956</b>	<b>26,589</b>

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### 33. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, in addition to those disclosed in note 24, the Group entered into the following transactions with connected and related parties:

	Notes	2014 HK\$'000	2013 HK\$'000
<i>Rental income</i>			
China Mobile Hong Kong Company Limited	(a)	234	234
Langham Hotels International Limited	(b)	2,853	10,589
Langham Place Hotel (HK) Limited	(b)	4,567	4,031
Strong Dynamic Limited	(b)	7,680	7,477
The Great Eagle Properties Management Company, Limited	(b)	5,740	5,356
Eagle Asset Management (CP) Limited	(b)	394	394
Eagle Property Management (CP) Limited	(b)	3,050	3,000
HSBC Group <sup>1</sup>	(c)	1,514	11,387
<i>Interest income</i>			
HSBC Group <sup>1</sup>	(c)	786	2,668
<i>Building management fee income</i>			
Strong Dynamic Limited	(b)	3,851	3,508
The Great Eagle Properties Management Company, Limited	(b)	687	600
Langham Hotels International Limited	(b)	461	1,563
Langham Place Hotel (HK) Limited	(b)	664	606
Eagle Property Management (CP) Limited	(b)	399	364
HSBC Group <sup>1</sup>	(c)	243	1,422
<i>Building management expenses and car park operating expenses</i>			
The Great Eagle Properties Management Company, Limited	(b)	221,217	192,868
Longworth Management Limited	(b)	37,459	34,199
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(b)	61,683	59,565
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(b)	32,457	25,433
Savills (Hong Kong) Limited	(d)	2,540	2,927
<i>Repairs and maintenance fee</i>			
The Great Eagle Engineering Company Limited	(b)	5,474	5,063
Toptech Co. Limited	(b)	1,358	519
Keysen Engineering Company, Limited	(b)	321	1,193
The Great Eagle Properties Management Company, Limited	(b)	8	8
Sun Fook Kong Housing Services Limited	(e)	23	22

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

	Notes	2014 HK\$'000	2013 HK\$'000
<i>Repairs and maintenance and renovations contracted to</i>			
The Great Eagle Engineering Company Limited	(b)	6,181	5,417
Toptech Co. Limited	(b)	–	1,335
Keysen Engineering Company, Limited	(b)	447	1,215
The Great Eagle Properties Management Company, Limited	(b)	8	8
Sun Fook Kong Housing Services Limited	(e)	29	31
<i>Property miscellaneous expenses</i>			
Langham Place Hotel (HK) Limited	(b)	23	27
Grow On Development Limited	(b)	–	33
Clever Gain Investment Ltd	(b)	188	145
<i>Trust and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited	(c)	10,891	10,534
HSBC Group <sup>1</sup>	(c)	85	100
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(b) & (f)	216,045	209,736
<i>Acquisition cost of investment properties</i>			
Eagle Asset Management (CP) Limited	(b)	–	21,553
HSBC Institutional Trust Services (Asia) Limited	(c)	–	100
Savills Valuation and Professional Services Limited	(d)	–	50
<i>Finance costs</i>			
Hang Seng Bank Limited <sup>2</sup>	(c)	159,145	131,124
The Hongkong and Shanghai Banking Corporation Limited	(c) & (k)	36,389	17,575
<i>Valuation fee</i>			
Savills Valuation and Professional Services Limited	(d)	301	299

Balances with connected and related parties are as follows:

	Notes	2014 HK\$'000	2013 HK\$'000
<i>Amount due from</i>			
The Great Eagle Properties Management Company, Limited	(b) & (g)	27,383	40,034
Longworth Management Limited	(b) & (g)	15,311	15,311
Toptech Co. Limited	(b) & (g)	213	282
<i>Amount due to</i>			
Eagle Property Management (CP) Limited	(b) & (g)	13,555	12,999
Eagle Asset Management (CP) Limited	(b) & (g)	105,559	106,716
The Great Eagle Engineering Company Limited	(b) & (g)	2,693	4,699
The Great Eagle Properties Management Company, Limited	(b) & (g)	12,849	10,344
Keysen Engineering Company, Limited	(b) & (g)	539	1,101
The Great Eagle Company, Limited	(b) & (g)	1	–
Langham Place Hotel (HK) Limited	(b) & (g)	10	10
Sun Fook Kong Housing Services Limited	(e) & (g)	–	22

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

	Notes	2014 HK\$'000	2013 HK\$'000
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
China Mobile Hong Kong Company Limited	(a)	39	39
Eagle Property Management (CP) Limited	(b) & (h)	–	–
The Great Eagle Properties Management Company, Limited	(b)	1,408	1,408
Strong Dynamic Limited	(b) & (i)	–	–
Langham Hotels International Limited	(b) & (j)	–	–
Langham Place Hotel (HK) Limited	(b)	1,351	1,351
HSBC Group <sup>1</sup>	(c)	–	1,275

Notes:

- (a) This company is an associate<sup>3</sup> of Dr. Lo Ka Shui (a non-executive director and the Chairman of the Manager of Champion REIT and a director of Great Eagle) by virtue of Dr. Lo being an independent non-executive director of the ultimate holding company of this company.
- (b) These companies are the subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
- (c) These companies are the Trustee or associates<sup>3</sup> of the Trustee.
- (d) This company is the principal valuer of Champion REIT or its associates<sup>3</sup>. An amount of HK\$50,000 out of HK\$139,000 for the year ended 31 December 2013 relates to the valuation fee in respect of the Acquisition and was capitalised as a direct cost of the Acquisition.
- (e) This company is a subsidiary of SFK Construction Holdings Limited (“SFK”), which is an associate<sup>3</sup> of Mr. Lo Kai Shui, a non-executive director of the Manager of Champion REIT and a director of Great Eagle, who is entitled to exercise control of 33% or more of the voting power at the general meeting of SFK.
- (f) 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 month period ended 30 June 2014 and 31 December 2014.
- (g) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (h) A bank guarantee of HK\$927,000 (2013: HK\$859,000) was received in lieu of deposit.
- (i) A bank guarantee of HK\$2,882,000 (2013: HK\$2,882,000) was received in lieu of deposit.
- (j) A bank guarantee of HK\$3,133,000 was received in lieu of deposit as at 31 December 2013.
- (k) In July 2013, the Group arranged a bilateral loan of HK\$1,900 million with The Hongkong and Shanghai Banking Corporation with an upfront fee of HK\$20,900,000.
- <sup>1</sup> HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.
- <sup>2</sup> On 28 June 2013, the term loan and revolving credit facilities of HK\$2,954 million was refinanced with a term loan and revolving credit facilities of HK\$2,500 million at an upfront payment fee of HK\$18,750,000. On 26 May 2014, the term loan facility of HK\$7,000 million was refinanced together with the term loan facility of HK\$500 million by two term loan facilities of HK\$3,700 million and HK\$3,800 million at an upfront payment of HK\$27,750,000 and HK\$45,600,000 respectively. Hang Seng Bank Limited is the facility agent under a term loan facilities of HK\$3,700 million and HK\$3,800 million and term loan and revolving credit facilities of HK\$2,500 million (2013: term loan facility of HK\$7,000 million and term loan and revolving credit facilities of HK\$2,500 million). As at 31 December 2014, total term loan outstanding under these three facilities is HK\$9,700 million (2013: two facilities of HK\$9,200 million).
- <sup>3</sup> As defined in the Code.

### 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2014 and 2013.

Name	Issued and fully paid share capital	Principal activity
<b>Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:</b>		
Benington Limited	HK\$1,000 being 100 shares with no par value (2013: 100 shares of HK\$10 each)	Property investment
CP (A1) Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Property investment
CP (B1) Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Property investment
CP (MC) Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Property investment
CP (PH) Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Property investment
CP (SH) Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Property investment
CP (WC) Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Property investment
CP Finance Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Financing
CP (Portion A) Limited	HK\$2, being 2 shares with no par value (2013: 2 shares of HK\$1 each)	Property investment
CP (Portion B) Limited	HK\$2, being 2 shares with no par value (2013: 2 shares of HK\$1 each)	Property investment
CP Glory Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Financing
CP Success Limited*	HK\$1, being 1 share with no par value	Financing
CP Wealth Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Financing
Elegant Wealth Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Property investment
Maple Court Limited	HK\$2, being 2 shares with no par value (2013: 2 shares of HK\$1 each)	Property investment
Panhy Limited	HK\$2, being 2 shares with no par value (2013: 2 shares of HK\$1 each)	Property investment
Renaissance City Development Company Limited	HK\$2, being 2 shares with no par value (2013: 2 shares of HK\$10 each)	Property investment
Shine Hill Development Limited	HK\$1,000,000, being 1,000,000 shares with no par value (2013: 1,000,000 shares of HK\$1 each)	Property investment
Trump Treasure Limited	HK\$1, being 1 share with no par value (2013: 1 share of HK\$1)	Financing
Well Charm Development Limited	HK\$2, being 2 shares with no par value (2013: 2 shares of HK\$1 each)	Property investment

# NOTES

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

### 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT (CONTINUED)

<u>Name</u>	<u>Issued and fully paid share capital</u>	<u>Principal activity</u>
<b>Incorporated and operating in Cayman Islands and indirectly owned and controlled by Champion REIT:</b>		
Champion MTN Limited	1 share of US\$1	Medium term notes issuer
Ernest Limited	100 shares of US\$1 each	Investment holding
Fair Vantage Limited	1 share of US\$1	Debt securities issuer

\* This subsidiary was incorporated and commenced its business during the year ended 31 December 2014.

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.

# MAJOR REAL ESTATE AGENTS AND CONTRACTORS

## TOP FIVE ESTATE AGENTS

The top five real estate agents and their respective commission paid were as follows:

REAL ESTATE AGENTS	NATURE OF SERVICE	COMMISSION PAID (HK\$)	RELEVANT COST (%)
Eagle Property Management (CP) Limited	Leasing	32,457,000	62.9
CBRE Limited	Leasing	7,551,000	14.6
Jones Lang LaSalle Limited	Leasing	5,158,000	10.0
Savills (Hong Kong) Limited	Leasing	2,540,000	4.9
Centaline Property Agency Limited	Leasing	1,616,000	3.1
<b>Total</b>		<b>49,322,000</b>	<b>95.5</b>

## TOP FIVE CONTRACTORS

The top five contractors and their respective value of service were as follows:

CONTRACTORS	NATURE OF SERVICE	VALUE OF CONTRACT (HK\$)	RELEVANT COST (%)
The Great Eagle Properties Management Company, Limited	Building management	242,981,000	63.4
Eagle Property Management (CP) Limited	Leasing and marketing	61,683,000	16.1
Longworth Management Limited	Building Management	37,459,000	9.8
R Two (HK) Ltd	Promotion Expenses	7,828,000	2.0
The Great Eagle Engineering Co. Ltd	Repairs & Maintenance	6,181,000	1.6
<b>Total</b>		<b>356,132,000</b>	<b>92.9</b>

# PERFORMANCE

## TABLE

	2014	2013	2012	2011	2010
<b>AS AT 31 DECEMBER:</b>					
Net asset value (HK\$'000)	<b>46,275,130</b>	45,363,960	44,252,200	38,755,567	33,141,907
Net asset value per unit (HK\$)	<b>8.06</b>	7.94	7.80	7.82	6.72
The highest traded price during the period (HK\$)	<b>3.83</b>	4.19	3.95	5.01	4.70
The highest premium of the traded price to net asset value <sup>1</sup>	<b>N/A</b>	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	<b>3.24</b>	3.29	2.91	2.65	3.23
The highest discount of the traded price to net asset value	<b>59.80%</b>	58.56%	62.69%	66.11%	51.95%
<b>FOR THE YEAR ENDED 31 DECEMBER:</b>					
The distribution yield per unit <sup>2</sup>	<b>5.66%</b>	6.12%	5.63%	7.66%	4.71%
The net profit yield per unit <sup>3</sup>	<b>9.33%</b>	11.22%	19.77%	44.86%	23.46%

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\$0.2037 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2014 over the traded price of HK\$3.60 as at 31 December 2014.
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 2014 over the traded price of HK\$3.60 as at 31 December 2014.

# CORPORATE INFORMATION

## CHAMPION REIT

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

## REIT MANAGER

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

## BOARD OF DIRECTORS OF THE REIT MANAGER

### Non-executive Directors

LO Ka Shui (*Chairman*)  
HO Shut Kan  
IP Yuk Keung, Albert  
LO Kai Shui

### Executive Director

LEE Ching Ming, Adrian (*Chief Executive Officer*)

### Independent Non-executive Directors

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

## AUDIT COMMITTEE OF THE REIT MANAGER

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

## DISCLOSURES COMMITTEE OF THE REIT MANAGER

LEE Ching Ming, Adrian (*Chairman*)  
LO Ka Shui  
SHEK Lai Him, Abraham

## RESPONSIBLE OFFICERS OF THE REIT MANAGER

LEE Ching Ming, Adrian  
WONG Ka Ki, Ada  
CHOO Chong Yao, Patrick  
KWONG Chi Kwong

## 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

Savills Valuation and Professional Services Limited

## UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
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183 Queen's Road East  
Wanchai  
Hong Kong  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## WEBSITE

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

## STOCK CODE

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