

【For Immediate Release】

ChampionREIT

冠君產業信託

Champion REIT Announces 2020 Interim Results

- The office portfolio delivered stable growth from rental income
- Challenging retail environment impacted interim results
- Agile measures to react swiftly and embrace new normal

Hong Kong, 20 August 2020 – **Champion Real Estate Investment Trust (stock code: 2778)**, the owner of Three Garden Road and Langham Place, announces its financial results for the six months ended 30 June 2020.

Summary of financial results

	1H 2020	1H 2019	Change
Total Rental Income (HK\$ mil)	1,342	1,400	- 4.1%
Net Property Income (HK\$ mil)	1,194	1,263	- 5.4%
Distributable Income (HK\$ mil)	804	869	- 7.5%
Distribution per unit (HK\$)	0.1229	0.1332	- 7.7%

	30 Jun 2020	31 Dec 2019	Change
Gross Value of Portfolio (HK\$ mil)	71,993	81,178	- 11.3%
Net Asset Value per unit (HK\$)	9.44	11.04	- 14.5%
Gearing Ratio	22.7%	18.0%	+ 4.7pp

Overview

The COVID-19 pandemic in the first half of 2020 has put the global economy on pause, and posing unprecedented challenges to all walks of life. Various social distancing regulations and cross-border controls have resulted in significant slowdown in economic activities and brought tourism to a standstill. Amid the sluggish market sentiment, the Trust's base rental income recorded a slight increase but turnover rent vanished. As a result, the Trust recorded a 7.5% decline in distributable income to HK\$804 million (2019: HK\$869 million) and a 7.7% decline in distribution per unit ("DPU") to HK\$0.1229 (2019: HK\$0.1332).

Three Garden Road

Leasing activities and demand of the office market in Central were subdued in the midst of the pandemic. Despite the precarious market environment, rental reversion for Three Garden Road remained positive in the first half of 2020, bolstering the rental income to HK\$770 million (2019: HK\$738 million). Passing rents of the property increased to HK\$109.5 per sq. ft. (based on lettable area) as at 30 June 2020, compared with HK\$107.8 per sq. ft. as at 31 December 2019. Occupancy stood at 90.2% as at 30 June 2020.

Langham Place Office Tower

As 60% of the Office Tower's tenants are in the lifestyle category, their business operations had been suspended intermittently under the social distancing regulations imposed by the government. Total rental income of Langham Place Office Tower increased by 4.8% to HK\$194 million (2019: HK\$185 million) mainly due to positive rental reversion as some of the leases were signed before the pandemic outbreak. Passing rents edged up moderately to HK\$47.1 per sq. ft. (based on gross floor area) while occupancy remained at a high level of 97.8% as at 30 June 2020.

Langham Place Mall

The Hong Kong retail market has experienced an extremely detrimental operating environment since the outbreak of COVID-19 in end of January. Total rental income dropped by 20.6% to HK\$378 million mainly due to the drop in turnover rent. Our leasing strategy maintains a focus on keeping high occupancy rates, as such, the Mall remained fully occupied as at 30 June 2020.

Financing

The Trust continued to take a proactive approach in liability management. With the uncertainties ahead, we have diversified our funding source and enhanced the financial flexibility of the Trust.

A total of USD300 million 10-year medium term notes were issued and standby banking facilities of HK\$2.0 billion have been arranged during 1H 2020.

Distribution

The Trust recorded a 7.5% decline in distributable income to HK\$804 million (2019: HK\$869 million) and a 7.7% decline in distribution per unit (“DPU”) to HK\$0.1229 (2019: HK\$0.1332) amid the sluggish market sentiment. This represents an annualised distribution yield of 6.4% based on the closing price of HK\$4.03 as at 30 June 2020.

Outlook

The outlook of the second half of the year is bleak. The coronavirus pandemic could continue to affect economic activities amid a persistent spread of COVID-19 globally and locally. In addition, geopolitical tensions and deteriorating local economic situation would deal another blow to our tenants.

To adapt to the new normal, we have launched an online shop to sell vouchers of the retail tenants in the mall and lifestyle tenants in the office tower respectively. In addition, we have made available pioneering virtual tours for Three Garden Road and Langham Place Office Tower to facilitate potential overseas tenants to view our properties remotely.

We will continue to adopt a prudent approach on investment opportunities with long-term growth potentials for unitholders. We are committed to working shoulder to shoulder with tenants and stakeholders to pursue long-term sustainability and ride out difficult times together.

About Champion REIT (stock code 2778)

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties. The Trust focuses 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 properties by way of two landmark properties, Three Garden Road and Langham Place, one on each side of the Victoria Harbour.

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