

【For Immediate Release】

ChampionREIT

冠君產業信託

Champion REIT Announces 2019 Annual Results

- Distributable income reached HK\$1,648 million, up 2.3%
- The portfolio continued to see positive rental reversion

Hong Kong, 18 February 2020 – **Champion Real Estate Investment Trust (stock code: 2778)**, the owner of Three Garden Road and Langham Place, announces its financial results for year ended 31 December 2019.

Summary of financial results

	FY 2019	FY 2018	Change
Total Rental Income (HK\$ mil)	2,778	2,677	+ 3.8%
Net Property Income (HK\$ mil)	2,481	2,405	+ 3.1%
Distributable Income (HK\$ mil)	1,648	1,611	+ 2.3%
Distribution per unit (HK\$)	0.2666	0.2614	+ 2.0%

Value as at	31 Dec 2019	31 Dec 2018	Change
Gross Value of Portfolio (HK\$ mil)	81,178	83,135	- 2.4%
Net Asset Value per Unit (HK\$)	11.04	11.42	- 3.3%
Gearing Ratio	18.0%	17.6%	+ 0.4pp

Overview

Champion REIT delivered a growth in distributable income by 2.3% to HK\$1,648 million and distribution per unit (“DPU”) by 2.0% to HK\$0.2666. The results once again demonstrated the complementary nature of the Trust’s property portfolio.

Three Garden Road

Three Garden Road achieved positive rental reversion, boosting the total rental income of the property to HK\$1,512 million, up 8.7%. Occupancy of the property was 93.0% as at 31 December 2019. Given the gap between the market rents and expiring rents in 2019, passing rents of the property increased to HK\$107.76 per sq. ft. (based on lettable area) as at 31 December 2019.

Langham Place Office Tower

Business performance of Langham Place Office was stable. Occupancy of the property stood high at 97.7% as at 31 December 2019 and market rents stayed put throughout 2019. Positive rental reversion was achieved, driving up total rental income by 7.2% to HK\$375 million. Passing rents increased to HK\$46.48 per sq. ft. (based on gross floor area) as at 31 December 2019.

Langham Place Mall

The slowdown in retail sales which started at the beginning of 2019 deepened in the second half of the year on flagging local economic conditions as well as drawn-out social unrest subsequently. Although passing base rents increased to HK\$190.49 per sq. ft. (based on lettable area) as most leases were confirmed in advance, total rental income of the mall decreased 4.9% to HK\$891 million due to marked decrease in tenant sales hence turnover rent in the second half of 2019. Rent concessions were considered on case by case basis. Despite the sluggish market conditions, the mall remained fully occupied as at 31 December 2019.

Financing

The Trust continued to take a proactive approach in liability management and further enhanced the credit profile. The Trust entered into interest rate swaps in favourable market windows to

increase the fixed rate debt portion to 64.2% as at 31 December 2019 to mitigate interest rate risks.

Distribution

Amid the precarious business environment, the Trust nonetheless delivered a mild growth in distributable income by 2.3% to HK\$1,648 million and DPU by 2.0% to HK\$0.2666 (2018: HK\$0.2614). Based on the closing unit price of HK\$5.15 recorded on 31 December 2019, the total DPU represents a distribution yield of 5.2%.

Asset Value

The Trust's investment properties as at 31 December 2019 were appraised at a total value of HK\$81.2 billion, representing a 2.4% decrease from HK\$83.1 billion as at 31 December 2018.

Outlook

The global economic uncertainties, exacerbated by the outbreak of the novel coronavirus (COVID-19), will adversely affect both the office demand and retail sentiments in 2020. As an externally oriented economy, Hong Kong will especially be affected by the pessimistic economic outlook and potentially deepening recession. With the ongoing political tensions in Hong Kong remain unsettled, the already weakening business environment is expected to weigh on both the office demand and retail sales performance.

Office demand, market rent and retail sales will retrench as businesses over all walks of life are severely impacted by the viral outbreak. While we are watchful of the challenges in the short term, our financial strength and discipline should allow us to weather the difficult period. Furthermore, we will continue to take a prudent approach in identifying diversification opportunities for external growth for the Trust globally in the coming year.

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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