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# ChampionREIT

## 冠君產業信託

### **Champion Real Estate Investment Trust**

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

**(Stock Code: 2778)**

**Managed by**

**Eagle Asset Management**  
Eagle Asset Management (CP) Limited

## **2019 FINAL RESULTS ANNOUNCEMENT**

*Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties. The Trust's focus is on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to 2.93 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Three Garden Road and Langham Place, one on each side of the Victoria Harbour.*

## FINAL RESULTS

The board of directors (“**Board**”) of Eagle Asset Management (CP) Limited (“**REIT Manager**”) as manager of Champion Real Estate Investment Trust (“**Champion REIT**” or “**Trust**”) is pleased to announce financial results of the Trust for the year ended 31 December 2019 (“**Year**” or “**Period**”).

## FINANCIAL HIGHLIGHTS

*For the year ended 31 December 2019*

	2019	2018	Change
<b>For the entire year</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	
Total Rental Income <sup>1</sup>	2,778	2,677	+ 3.8%
Net Property Operating Expenses <sup>1</sup>	298	272	+ 9.4%
Net Property Income	2,481	2,405	+ 3.1%
Distributable Income	1,648	1,611	+ 2.3%
Distribution Amount	1,566	1,530	+ 2.3%
Distribution per Unit (HK\$)	0.2666	0.2614	+ 2.0%

	2019	2018	Change
<b>As at 31 December</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	
Gross Value of Portfolio	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
Net Expense Ratio (entire year)	10.7%	10.2%	+ 0.5pp
Payout Ratio (entire year)	95.0%	95.0%	No change

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The challenging environment for the office and retail markets in 2019 was underscored by slackened economic growth of Hong Kong coupled with protracted civil social unrest and US-China trade tensions. In the second half of the year, the intensified social turmoil resulted in severe deterioration in consumer sentiment and tourists arrivals, which in turn erased the solid growth of the Trust achieved in the first half. Amid the precarious business environment, the Trust nonetheless delivered a mild growth in distributable income by 2.3% to HK\$1,648 million (2018: HK\$1,611 million) and distribution per unit (“DPU”) by 2.0% to HK\$0.2666 (2018: HK\$0.2614).

The results of the Trust for 2019 once again demonstrated the complementary nature of the Trust’s property portfolio. Positive rental reversion of the office portfolio compensated the unforeseen weak performance of Langham Place Mall. Total rental income of the Trust posted an increase of 3.8% to HK\$2,778 million (2018: HK\$2,677 million). Three Garden Road and Langham Place Office gained 8.7% and 7.2% growth in rental income respectively, while a decline of 4.9% for Langham Place Mall dragged down the overall results. Net property operating expenses of the Trust increased by 9.4% to HK\$298 million (2018: HK\$272 million) mainly due to higher government rent and rates and higher rental commission. Net property income rose by 3.1% to HK\$2,481 million in 2019 (2018: HK\$2,405 million).

During 2019, the Trust continued to take a proactive approach in liability management and further enhanced the credit profile. The Trust entered into new five-year unsecured banking facilities for a total amount of HK\$5.8 billion to refinance a HK\$3.7 billion secured loan due in 2019 and to partially repay another secured bank loan due in 2021. The unsecured debt portion increased to 75.5% following the drawdown. Cash finance cost in 2019 increased to HK\$452 million (2018: HK\$404 million) mainly due to higher average HIBOR. 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.

Valuation of the properties portfolio was affected by the sluggish leasing market. The appraised value of the Trust’s properties as at 31 December 2019 was HK\$81.2 billion, down by 2.4% compared with HK\$83.1 billion as at 31 December 2018. The drop was driven mainly by lower

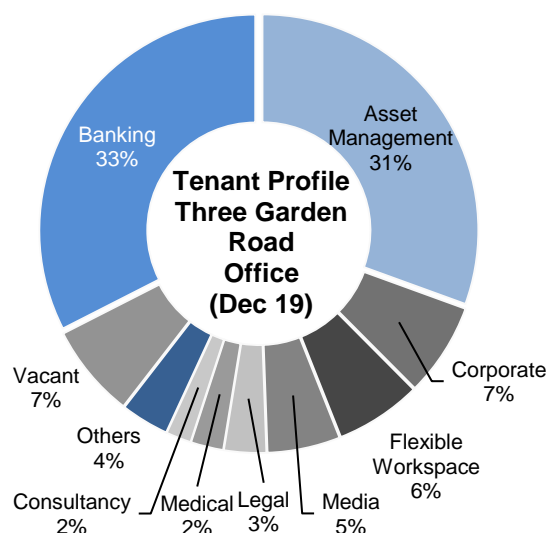
rental rate assumptions. Net asset value per unit lowered to HK\$11.04 as at 31 December 2019 (2018: HK\$11.42) as a result. The gearing ratio slightly increased to 18.0% as at 31 December 2019 from 17.6% as at 31 December 2018, remaining at a comfortable level.

## OPERATIONAL REVIEW

### *Three Garden Road*

	2019	2018	Change
	HK\$'000	HK\$'000	
Rental Income	1,511,663	1,390,473	+ 8.7%
Net Property Operating Expenses	137,119	120,003	+ 14.3%
Net Property Income	1,374,544	1,270,470	+ 8.2%

Overall leasing activities in the office market in Central, Hong Kong's prime business district were subdued in 2019. The leasing business at Three Garden Road was stalled with tenants generally taking a cautious approach. Beating the diminished momentum, Three Garden Road managed to achieve positive rental reversion, boosting the total rental income of the property to HK\$1,512 million, up 8.7% compared to HK\$1,390 million in 2018.



Occupancy of the property was affected by the prudent approach adopted by tenants, moderating to 93.0% as at 31 December 2019 from 95.8% as at 30 June 2019. Some tenants have expressed interests in expanding their footprints in the property but held up their plans in the uncertain macro environment.

Rent levels were also impacted by the general market conditions. Three Garden Road could not remain unscathed from the overall downhill trend in Grade A office rental prices and rising vacancies in Central. That said, 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 (2018: HK\$98.61 per sq. ft.).

Net property income maintained a steady growth of 8.2% to HK\$1,375 million (2018: HK\$1,270 million). The positive rental reversion achieved was more than sufficient to compensate for the lower average occupancy at Three Garden Road. Net property operating expenses increased by 14.3% to HK\$137 million (2018: HK\$120 million) mainly due to increase in rental commission and higher government rent and rates.

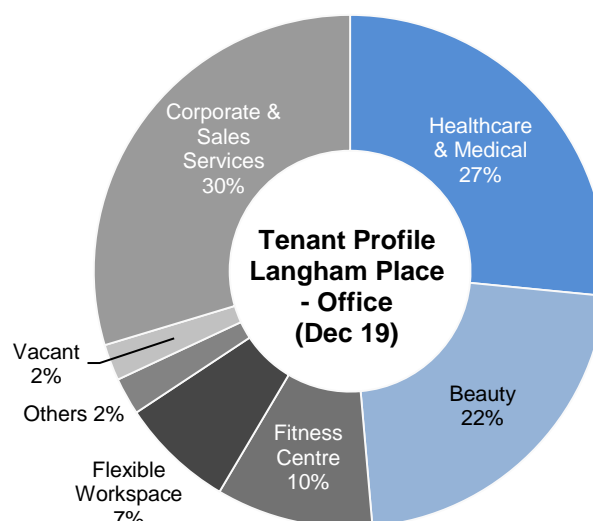
Thanks to the wellness programmes developed for our tenants and staff working in Three Garden Road, which we promote actively, the premises have recently become the first existing office building in Hong Kong to be awarded Platinum WELL Certification by the International WELL Building Institute, the highest recognition for workplaces in health and wellness.

### ***Langham Place Office Tower***

	2019	2018	Change
	HK\$'000	HK\$'000	
Rental Income	375,067	349,777	+ 7.2%
Net Property Operating Expenses	33,332	27,881	+ 19.6%
Net Property Income	341,735	321,896	+ 6.2%

Business performance of Langham Place Office was stable. Although some tenants were cautious about the economic outlook, demand from the lifestyle sector persisted. As at 31 December 2019, the proportion of tenant mix in the lifestyle, healthcare and beauty categories expanded to 59%.

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 in 2019 (2018: HK\$350 million). Passing rents increased to HK\$46.48 per sq. ft. (based on gross floor area) as at 31 December 2019 (2018: HK\$42.68 per sq. ft.).



Net property income grew by 6.2% to HK\$342 million (2018: HK\$322 million) attributable to positive rental reversion. Net property operating expenses rose to HK\$33 million (2018: HK\$28 million), mainly due to higher repairs and maintenance expenses.

### ***Langham Place Mall***

	2019	2018	Change
	HK\$'000	HK\$'000	
Rental Income	891,412	936,996	- 4.9%
Net Property Operating Expenses	127,049	124,039	+ 2.4%
Net Property Income	764,363	812,957	- 6.0%

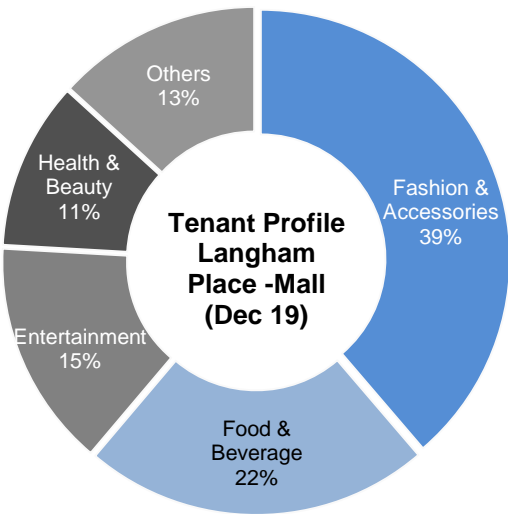
2019 was an extremely challenging year for the Hong Kong retail sector. The slowdown in retail sales which started at the beginning of the year deepened in the second half of the year on flagging local economic conditions as well as drawn-out social unrest subsequently. The dampened consumption sentiment and disruptions to inbound tourism resulted in a 11.1% decline in Hong Kong retail sales. Langham Place Mall recorded a drop of 19.4% in tenant sales in 2019. Business for shops focusing on Chinese tourists in particular suffered from the interruptions. Access to the mall was partially affected by closure of the Mongkok MTR station on certain days and blockage of roads due to the confrontations in surrounding areas, causing a low double-digit fall in footfall in 2019.

Faced with the unfavourable operating environment for the retail market, total rental income of the mall decreased 4.9% to HK\$891 million (2018: HK\$937 million). This was mainly caused by a drop in tenant sales which in return suppressed turnover rent to HK\$114 million (2018: HK\$187 million). On the other hand, passing base rents increased to HK\$190.49 per sq. ft. (based on lettable area) as at 31 December 2019 (2018: HK\$184.28 per sq. ft.) as most leases were confirmed in advance.

However, the growth in base rents was insufficient to offset the decline in turnover rent. Requests for rental concessions from tenants were considered on a case-by-case basis. Despite the sluggish market conditions, the mall remained fully occupied as at 31 December 2019.

Optimization of tenant composition for the low zone in the mall was accomplished in 2019. Tenant mix of basement two was unified to confectionary and food and beverage. On basement one, a portion of the shoes and bags section was replaced by beauty tenants.

Net property income went down 6.0% to HK\$764 million (2018: HK\$813 million) on abated retail sales and sliding turnover rent. Net property operating expenses increased by 2.4% to HK\$127 million (2018: HK\$124 million), mainly due to higher rental commission and higher promotion expenses. Given the adverse retail environment in second half of 2019, we have launched a number of sales-driven campaigns to generate footfall and sales.



## **OUTLOOK**

The global economic uncertainties, exacerbated by the outbreak of the 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.

The office rental segment of the portfolio is expected to be less vulnerable than the retail segment given the market rates of both Three Garden Road and Langham Place Office are slightly above the passing rents. However, the sluggish trend of office rental market in Central is expected to remain in 2020 because of the dampened business sentiments amid the COVID-19 epidemic and protracted social unrest and stalled demand from Mainland China due to its decelerating economy. Occupancy could also come under pressure due to potential availabilities from relocation and lease surrender. Demand and market rent of Langham Place Office may retrench as the lifestyle tenants' businesses are severely impacted by the viral outbreak.

The footfalls of the Mall have seen a significant drop as consumers avoid going out as a precaution against the new virus, resulting in a marked decrease in tenants' sales. This is further aggravated by a lack of mainland tourists and other international visitors, in light of quarantine measures and cross-border restrictions imposed. The battered local economy and unresolved social tensions will continue to suppress tourism and consumer spending. The gloomy consumer sentiment and tourists' arrivals would take a long time to restore. While waning retail sales would continue to affect the turnover rent portion of Langham Place Mall, the base rental income of the mall would also be impacted. The Trust is considering requests from tenants for further rental concessions to help the tenants cope with this severe downturn. To weather the headwinds, we would intensify marketing campaigns focusing on revitalizing tenants' businesses and enriching customers' experience.

We will continue to actively manage our liabilities and review the fixed rate debt strategy from time to time. We plan to increase standby banking facilities to enhance the financial flexibility of the Trust.



The complementary nature of our existing portfolio has served the Trust well in times of market volatilities. 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.

In summary, rental income of the office portfolio is facing downside risks in 2020 given the cautious outlook of office demand in Central. Moreover, the devastated softened retail market would lead to a lower total rental income and DPU. Amid the uncertain macro environment, we will continue to proactively manage the portfolio to deliver long-term returns to unitholders.

## VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Colliers International (Hong Kong) Limited on 5 February 2020, the valuation of the properties of Champion REIT, broken down by usage as at 31 December 2019 was:

	Three Garden Road	Langham Place	Sub-total
<b>Dec 19 Valuation</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
Office	46,889	10,428	57,317
Retail	675	21,548	22,223
Car Park	614	373	987
Miscellaneous	352	299	651
<b>Total</b>	<b>48,530</b>	<b>32,648</b>	<b>81,178</b>

As at 31 December 2019, the appraised value of the Trust's property portfolio was HK\$81.2 billion, decreased by 2.4% from HK\$83.1 billion as at 31 December 2018. The decrease was primarily driven by lower rental assumptions. The capitalization rates used to value Three Garden Road, Langham Place Office and Langham Place Mall remained unchanged at 3.6%, 4.0% and 3.75% respectively.

## FINANCIAL REVIEW

### DISTRIBUTIONS

The total distribution amount of Champion REIT for the year was HK\$1,566 million, representing a 2.3% growth compared to HK\$1,530 million in 2018. The total distribution amount is based on 95% of Champion REIT's distributable income.

The distribution per unit for the six months ended 31 December 2019 ("Final Distribution per Unit") was HK\$0.1334. This is subject to adjustment that may result from the issuance of any new units between 1 January 2020 and the record date. A further announcement informing unitholders of any adjustment to the Final Distribution per Unit will be made in due course.

With an Interim Distribution per Unit of HK\$0.1332 and a Final Distribution per Unit of HK\$0.1334, the Total Distribution per Unit for 2019 amounted 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 Distribution per Unit represents a distribution yield of 5.2%.

### CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed during the following periods and during these periods, no transfer of Units will be effected:

- (i) To qualify for the distribution for the six months ended 31 December 2019

For the purpose of ascertaining the Unitholders' entitlement to the distribution for the six months ended 31 December 2019, the Register of Unitholders will be closed from Monday, 4 May 2020 to Thursday, 7 May 2020, both days inclusive. The payment of the distribution for the six months ended 31 December 2019 will be made on Friday, 15 May 2020 to Unitholders whose names appear on the Register of Unitholders on Thursday, 7 May 2020.

In order to qualify for the distribution for the six months ended 31 December 2019, 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 ("**Unit Registrar**") 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 Wednesday, 29 April 2020.

- (ii) To attend and vote at the 2020 Annual General Meeting

For the purpose of ascertaining the Unitholders' entitlement to attend and vote at the 2020 Annual General Meeting to be held on Thursday, 28 May 2020 ("2020 AGM"), the Registers of Unitholders will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, both days inclusive.

In order to be eligible to attend and vote at the 2020 AGM, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with the Unit Registrar for registration not later than 4:30 p.m. on Friday, 22 May 2020.

## PROACTIVE LIABILITY MANAGEMENT

### Outstanding Debt Facilities<sup>(1) (2)</sup>

As at 31 December 2019

(HK\$ million)

	Utilised facilities	Fixed rate debt <sup>(3)</sup>	Floating rate debt <sup>(3)</sup>
Secured Bank Loans	3,685	3,450	235
Unsecured Bank Loans	5,814	1,500	4,314
Total Bank Loans	9,499	4,950	4,549
Medium Term Notes	5,541	4,698 <sup>(4)</sup>	843
<b>Total Outstanding Debt Facilities</b>	<b>15,040</b>	<b>9,648</b>	<b>5,392</b>
<b>Percentage</b>		<b>64.2%</b>	<b>35.8%</b>

(1) All amounts are stated at face value

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

(3) After interest rate swaps

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

The Trust has proactively lowered its secured debt ratio in order to provide more financial flexibility. In June 2019, the Trust refinanced HK\$5,814 million of its existing secured debts by new unsecured 5-year banking facilities due 2024. As at 31 December 2019, 75.5% of total outstanding debt facilities were unsecured. The remaining 24.5% secured loan facility of HK\$3,685 million is secured by certain portions of Three Garden Road, which carried a fair

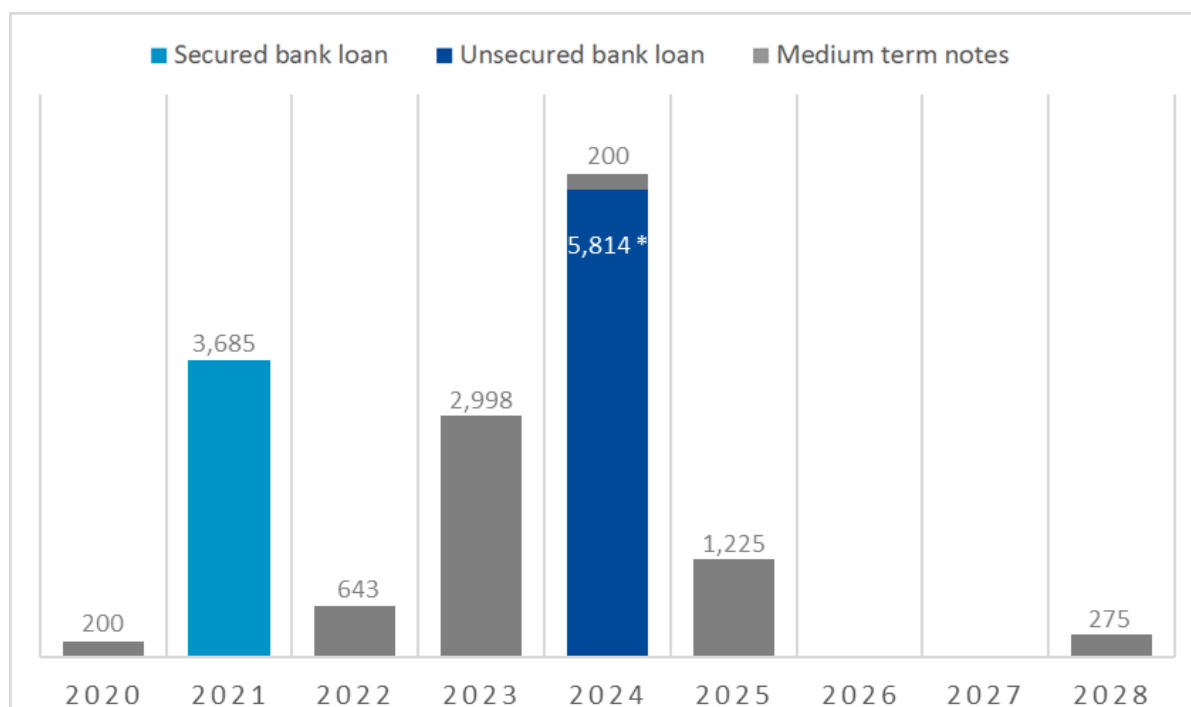
value of HK\$24.9 billion as at 31 December 2019. The Trustee has provided guarantees for all of the debt facilities.

In addition, the Trust also monitors interest rate risks closely. As at 31 December 2019, the fixed-rate debt proportion has increased to 64.2% after entering into interest rate swap arrangements at an average swap rate (before interest margin) of 1.508% per annum during the year. The average effective interest rate for the year was 3.0% and the average life of the Trust's outstanding debt was 3.2 years as at 31 December 2019.

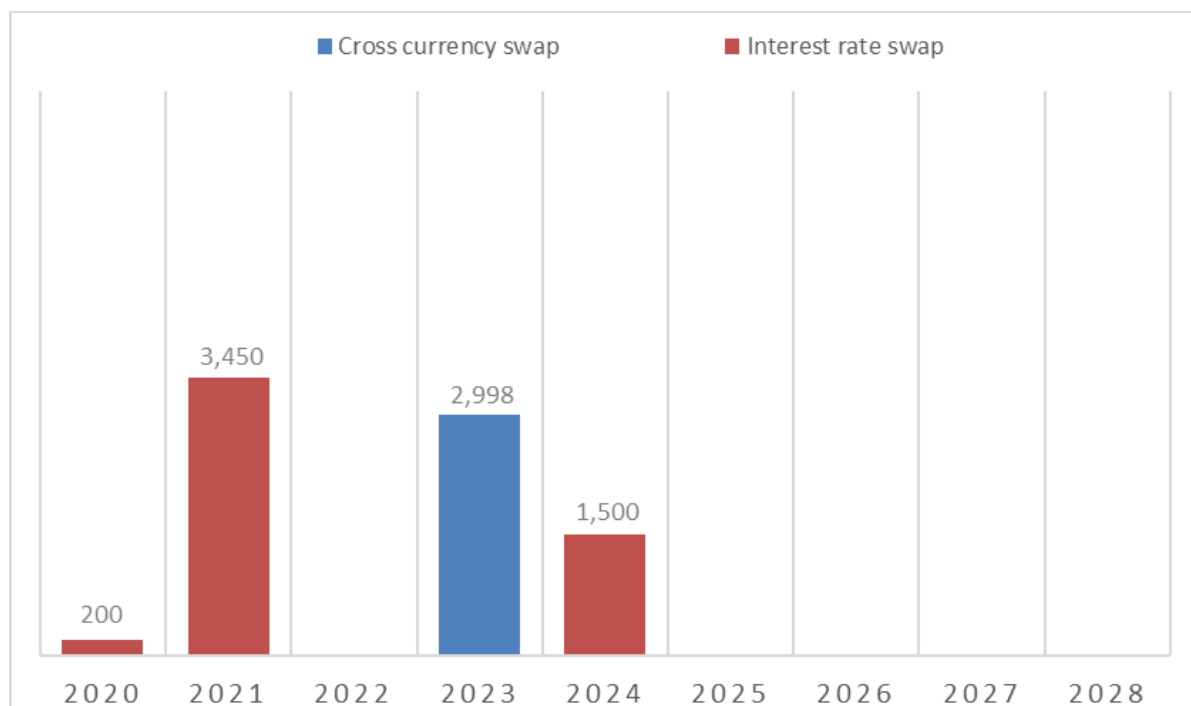
### Outstanding Maturity Profile (Debt and Derivatives)

As at 31 December 2019

(HK\$ million)



\* Including committed revolving credit facility of HK\$850 million with final maturity in June 2024



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. Correspondingly, the Gearing Ratio (or total borrowings as a percentage of gross assets) increased from 17.6% as at 31 December 2018 to 18.0% as at 31 December 2019. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 22.5% (2018: 21.7%).

### **STRENGTHENED LIQUIDITY POSITION**

The Trust also took the initiative to strengthen its liquidity position to weather potential headwinds. As at 31 December 2019, the Trust had both committed and uncommitted revolving credit facilities of HK\$286 million and HK\$500 million respectively that remained undrawn. Together with a cash balance of HK\$1,962 million, the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

### **NET ASSETS VALUE PER UNIT**

The Net Asset Value per Unit as at 31 December 2019 was HK\$11.04 (2018: HK\$11.42). It represented a 114.4% premium to the closing unit price of HK\$5.15 as at 31 December 2019.

## COMMITMENTS

As at 31 December 2019, the Trust did not have any significant commitments at the end of the reporting year.

## NEW UNITS ISSUED

As at 31 December 2019, the total number of issued Units of Champion REIT was 5,872,789,311. As compared with the position of 31 December 2018, a total of 25,696,507 new Units were issued during the year as follows:-

- On 29 August 2019, 14,285,712 new Units were issued to the REIT Manager at the price of HK\$5.303 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$75,757,000 for the first half of 2019.
- On 8 March 2019, 11,410,795 new Units were issued to the REIT Manager at the price of HK\$6.46 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$73,713,800 for the second half of 2018.

## REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the year ended 31 December 2019.

## RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 January 2020 is set out below:

As at 31 Jan 2020	Type	Primary Listing	Country of Issuer	Currency	Total Cost	Mark-to-market Value	Weighting of GAV (%)	Credit Rating
KERPRO 5 ¼ 04/06/21	Bond	Singapore Exchange	BVI	USD	HK\$67,296,000	HK\$61,473,000	0.0706%	N/A
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$9,797,000	HK\$9,748,000	0.0112%	S&P BBB-
NANFUN 4 ¾ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	HK\$56,603,000	HK\$57,699,000	0.0662%	S&P BBB-
NWDEVL 5 ¼ 02/26/21	Bond	HKEX	BVI	USD	HK\$41,574,000	HK\$39,891,000	0.0458%	N/A
PCCW 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	HK\$49,641,000	HK\$50,863,000	0.0584%	S&P BBB
<b>Total</b>					HK\$224,911,000	HK\$219,674,000	0.2521%	

Notes: (1) The weighting of GAV is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.

(2) All figures presented above have been rounded to the nearest thousand.

## CORPORATE GOVERNANCE

Champion REIT is committed to attaining global best practices and standards for all activities and transactions conducted in relation to the Trust and any matters arising out of its listing or trading on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The current corporate governance framework adopted by the REIT Manager 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 (“**Compliance Manual**”) which set out the key processes, systems and measures used to implement this corporate governance framework.

Throughout the year ended 31 December 2019, the REIT Manager and Champion REIT have complied with the Code on Real Estate Investment Trusts, the Trust Deed of Champion REIT, the relevant provisions and requirements of the Securities and Futures Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the Year. In respect of the code governing dealings in the securities of Champion REIT (“**Code on Securities Dealings**”), specific enquiry has been made with the REIT Manager’s Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2019.

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

Key components of the governance framework and the corporate governance report for the year ended 31 December 2019 will be set out in the 2019 Annual Report.

## **SUSTAINABILITY**

Embracing sustainability is an indispensable part of Champion REIT's corporate culture and business direction. The Trust strongly believes that sustainable development is fundamental to the viability of our business, which will in turn create long-term values for our stakeholders and members of the community. The Sustainability Working Group steered the environmental, social and governance ("ESG") initiatives of the Trust effectively throughout the year. With our efforts to optimise our environmental performance, we attained WELL Platinum certification and BEAM Plus Platinum certification for Three Garden Road and Langham Place Mall respectively. To push forward the long-term ESG development, the Trust has formulated the 2030 sustainability blueprint to manage our ESG performance in a measurable and systematic approach. Under the theme of "Champion Our Wellness", the Trust is also running a broad array of enriching wellness programmes to enhance work-life balance for stakeholders, including trail run and music performances.

## **BUY-BACK, SALE OR REDEMPTION OF UNITS**

A general mandate for buy-back of Units in the open market was given by Unitholders at the annual general meeting held on 30 May 2019. During the year ended 31 December 2019, neither the REIT Manager nor any of Champion REIT's special purpose vehicles had bought back, sold or redeemed any Units pursuant to this mandate.

## **PUBLIC FLOAT**

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

## **REVIEW OF ANNUAL RESULTS**

The audited final results for the year ended 31 December 2019 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

## **ANNUAL GENERAL MEETING**

The 2020 Annual General Meeting of Champion REIT will be held on Thursday, 28 May 2020 at 4:00 p.m.. Notice of the meeting will be published and despatched to Unitholders in due course.



## ISSUANCE OF ANNUAL REPORT

The 2019 Annual Report of Champion REIT will be despatched to Unitholders and published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and Champion REIT ([www.ChampionReit.com](http://www.ChampionReit.com)) before the end of March 2019.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Trust's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, distribution statement and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Trust's external auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Trust's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Dr. Lo Ka Shui (*Chairman*) and Mr. Ip Yuk Keung, Albert; one Executive Director, Ms. Wong Ka Ki, Ada (*Chief Executive Officer*) and four Independent Non-executive Directors, namely Mr. Cha Mou Sing, Payson, Mr. Cheng Wai Chee, Christopher, Mr. Ho Shut Kan and Mr. Shek Lai Him, Abraham.

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

Hong Kong, 18 February 2020

## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>NOTES</u>	<u>2019</u> <u>HK\$'000</u>	<u>2018</u> <u>HK\$'000</u>
Rental income	5	2,742,400	2,641,489
Building management fee income	5	302,527	287,726
Rental related income	6	35,742	35,757
<b>Total revenue</b>		<b>3,080,669</b>	2,964,972
Property operating expenses	7	(600,027)	(559,649)
<b>Net property income</b>		<b>2,480,642</b>	2,405,323
Interest income		41,317	28,182
Manager's fee	8	(297,677)	(288,639)
Trust and other expenses		(23,895)	(27,399)
(Decrease) increase in fair value of investment properties		(1,994,379)	6,411,601
Finance costs	9	(485,470)	(428,187)
<b>(Loss) profit before tax and distribution to unitholders</b>	10	<b>(279,462)</b>	8,100,881
Income taxes	11	(290,860)	(288,824)
<b>(Loss) profit for the year, before distribution to unitholders</b>		<b>(570,322)</b>	7,812,057
Distribution to unitholders		(1,565,536)	(1,530,045)
<b>(Loss) profit for the year, after distribution to unitholders</b>		<b>(2,135,858)</b>	6,282,012
<b>Basic (loss) earnings per unit</b>	12	<b>HK\$(0.10)</b>	HK\$1.34

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<b>(Loss) profit for the year, after distribution to unitholders</b>	<u><b>(2,135,858)</b></u>	<u>6,282,012</u>
<b>Other comprehensive income (expense):</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Cash flow hedges:		
Fair value adjustments on cross currency swaps		
and interest rate swaps designated as cash flow hedges	<b>57,113</b>	(8,540)
Reclassification of fair value adjustments to profit or loss	<u><b>2,668</b></u>	<u>(509)</u>
	<u><b>59,781</b></u>	<u>(9,049)</u>
<b>Total comprehensive (expense) income for the year</b>	<u><u><b>(2,076,077)</b></u></u>	<u><u>6,272,963</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	<u>NOTES</u>	<u>2019</u> <u>HK\$'000</u>	<u>2018</u> <u>HK\$'000</u>
<b>Non-current assets</b>			
Investment properties		<b>81,178,000</b>	83,135,000
Notes receivables		<b>215,093</b>	218,705
Derivative financial instruments		<b>61,007</b>	39,399
Total non-current assets		<b>81,454,100</b>	83,393,104
<b>Current assets</b>			
Trade and other receivables	13	<b>259,364</b>	296,849
Tax recoverable		<b>608</b>	1,022
Derivative financial instruments		<b>3,419</b>	-
Time deposit with original maturity over three months		<b>200,000</b>	200,000
Bank balances and cash		<b>1,761,655</b>	1,399,530
Total current assets		<b>2,225,046</b>	1,897,401
<b>Total assets</b>		<b>83,679,146</b>	85,290,505
<b>Current liabilities</b>			
Trade and other payables	14	<b>1,393,805</b>	1,337,168
Deposits received		<b>799,552</b>	761,175
Tax liabilities		<b>279,194</b>	30,363
Distribution payable		<b>783,505</b>	799,023
Bank borrowings		<b>843,510</b>	3,696,715
Medium term notes		<b>199,929</b>	-
Total current liabilities		<b>4,299,495</b>	6,624,444
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank borrowings		<b>8,597,553</b>	5,771,097
Medium term notes		<b>5,326,277</b>	5,536,292
Derivative financial instruments		-	17,860
Deferred tax liabilities		<b>621,499</b>	579,884
Total non-current liabilities, excluding net assets attributable to unitholders		<b>14,545,329</b>	11,905,133
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>18,844,824</b>	18,529,577
<b>Net assets attributable to unitholders</b>		<b>64,834,322</b>	66,760,928
<b>Number of units in issue ('000)</b>	15	<b>5,872,789</b>	5,847,093
<b>Net asset value per unit</b>	16	<b>HK\$11.04</b>	HK\$11.42

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<b>(Loss) profit for the year, before distribution to unitholders</b>	<b>(570,322)</b>	7,812,057
Adjustments:		
- Decrease (increase) in fair value of investment properties	<b>1,994,379</b>	(6,411,601)
- Manager's fee paid and payable in units	<b>148,838</b>	144,319
- Non-cash finance costs	<b>33,422</b>	24,525
- Deferred tax	<b>41,615</b>	41,273
<b>Total distributable income to unitholders (note (i))</b>	<b>1,647,932</b>	1,610,573
Interim distribution, paid to unitholders (note (ii))	<b>782,031</b>	731,022
Final distribution, to be paid to unitholders (note (iii))	<b>783,505</b>	799,023
<b>Total distributions for the year</b>	<b>1,565,536</b>	1,530,045
<b>Payout ratio</b>	<b>95.0%</b>	95.0%
<b>Distributions per unit:</b>		
Interim distribution per unit, paid to unitholders (note (ii))	<b>HK\$0.1332</b>	HK\$0.1250
Final distribution per unit, to be paid to unitholders (note (iii))	<b>HK\$0.1334</b>	HK\$0.1364
	<b>HK\$0.2666</b>	HK\$0.2614

Notes:

- (i) Pursuant to the Trust Deed, the total distributable income is (loss) profit for the year, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. Champion REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial period.
- (ii) The interim distribution per unit of HK\$0.1332 (2018: HK\$0.1250) for the six months ended 30 June 2019 is calculated based on the interim distribution of HK\$782,031,000 (2018: HK\$731,022,000) for the period and 5,872,789,311 units (2018: 5,847,092,804 units) in issue as of 20 September 2019 (2018: 21 September 2018), which was the record date for the period. The distribution was paid to unitholders on 4 October 2019.
- (iii) The final distribution per unit of HK\$0.1334 for the year ended 31 December 2019 is calculated based on the final distribution to be paid to unitholders of HK\$783,505,000 for the period and 5,872,789,311 units in issue as at 31 December 2019. The final distribution per unit for the year ended 31 December 2019 will be subject to further adjustments upon the issuance of units between 1 January 2020 and 7 May 2020, which is the record date set for such period. The final distribution will be paid to unitholders on 15 May 2020.

The final distribution per unit of HK\$0.1364 for the year ended 31 December 2018 was calculated based on the final distribution of HK\$799,023,000 for the period and 5,858,503,599 units in issue as at 9 May 2019.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **1. GENERAL**

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

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

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

### **2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

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

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

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

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

**New and amendments to HKFRSs that are mandatorily effective for the current year - continued**

### **HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations. Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

### **New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

The Manager anticipates that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation of consolidated financial statements

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

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Basis of preparation of consolidated financial statements - continued

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

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

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

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

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

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

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

As at 31 December 2019, the Group's current liabilities exceeded its current assets by HK\$2,074,449,000 (2018: HK\$4,727,043,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.



#### 4. SEGMENT INFORMATION

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

##### Segment revenue and results

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

##### For the year ended 31 December 2019

	<b>Three Garden Road 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>1,674,848</b>	<b>428,264</b>	<b>977,557</b>	<b>3,080,669</b>
<b>Segment results</b>				
- Net property income	<b>1,374,544</b>	<b>341,735</b>	<b>764,363</b>	<b>2,480,642</b>
Interest income				41,317
Manager's fee				(297,677)
Trust and other expenses				(23,895)
Decrease in fair value of investment properties				(1,994,379)
Finance costs				(485,470)
<b>Loss before tax and distribution to unitholders</b>				<b>(279,462)</b>
Income taxes				(290,860)
<b>Loss for the year, before distribution to unitholders</b>				<b>(570,322)</b>
Distribution to unitholders				(1,565,536)
<b>Loss for the year, after distribution to unitholders</b>				<b>(2,135,858)</b>

**Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:**

(Decrease) increase in fair value of investment properties	<b>(1,397,379)</b>	<b>518,000</b>	<b>(1,115,000)</b>	<b>(1,994,379)</b>
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#### 4. SEGMENT INFORMATION - continued

##### Segment revenue and results - continued

For the year ended 31 December 2018

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
<b>Revenue</b>	<u>1,548,766</u>	<u>400,361</u>	<u>1,015,845</u>	<u>2,964,972</u>
<b>Segment results</b>				
<b>- Net property income</b>	<u>1,270,470</u>	<u>321,896</u>	<u>812,957</u>	<u>2,405,323</u>
Interest income				28,182
Manager's fee				(288,639)
Trust and other expenses				(27,399)
Increase in fair value of investment properties				6,411,601
Finance costs				(428,187)
<b>Profit before tax and distribution to unitholders</b>				<u>8,100,881</u>
Income taxes				(288,824)
<b>Profit for the year, before distribution to unitholders</b>				<u>7,812,057</u>
Distribution to unitholders				(1,530,045)
<b>Profit for the year, after distribution to unitholders</b>				<u>6,282,012</u>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
Increase in fair value of investment properties	<u>3,715,881</u>	<u>460,000</u>	<u>2,235,720</u>	<u>6,411,601</u>

#### 4. SEGMENT INFORMATION - continued

##### Other segment information

	<b>Three Garden Road HK\$'000</b>	<b>Langham Place Office Tower HK\$'000</b>	<b>Langham Place Mall HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b><u>For the year ended 31 December 2019</u></b>				
Additions to non-current assets	<u>37,379</u>	<u>-</u>	<u>-</u>	<u>37,379</u>
<b><u>For the year ended 31 December 2018</u></b>				
Additions to non-current assets	<u>13,119</u>	<u>-</u>	<u>6,280</u>	<u>19,399</u>

##### Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2019, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$48,530,000,000 (2018: HK\$49,890,000,000), HK\$10,428,000,000 (2018: HK\$9,910,000,000) and HK\$22,220,000,000 (2018: HK\$23,335,000,000), 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 both years.

## 5. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
Property rental income	<b>2,696,697</b>	2,593,753
Car park income	<b>45,703</b>	47,736
Rental income	<b><u>2,742,400</u></b>	<u>2,641,489</u>
	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
Building management fee income	<b><u>302,527</u></b>	<u>287,726</u>

## 6. RENTAL RELATED INCOME

	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
Interest income from tenants	<b>682</b>	306
Promotional levy income	<b>13,809</b>	13,058
Sundry income	<b>21,251</b>	22,393
	<b><u>35,742</u></b>	<u>35,757</u>

## 7. PROPERTY OPERATING EXPENSES

	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
Building management expenses	<b>336,025</b>	321,956
Car park operating expenses	<b>11,356</b>	11,657
Government rent and rates	<b>81,371</b>	76,098
Legal cost and stamp duty	<b>4,780</b>	3,370
Promotion expenses	<b>18,783</b>	17,397
Property and lease management service fee	<b>83,014</b>	80,329
Property miscellaneous expenses	<b>3,668</b>	2,707
Rental commission	<b>51,911</b>	40,553
Repairs and maintenance	<b>9,119</b>	5,582
	<b><u>600,027</u></b>	<u>559,649</u>

## 8. 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 2019 and 31 December 2019, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2019 and 31 December 2019 as remuneration.

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<b>Manager's fee:</b>		
In the form of units	148,838	144,319
In the form of cash	148,839	144,320
	<u>297,677</u>	<u>288,639</u>

Based on the election result on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2019 arising from the properties currently owned by Champion REIT in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% in the form of cash.

## 9. FINANCE COSTS

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<b>Finance costs represent:</b>		
Interest expense on bank borrowings	281,174	246,034
Interest expense on medium term notes	202,824	181,961
Other borrowing costs	1,472	192
	<u>485,470</u>	<u>428,187</u>

## 10. (LOSS) PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<b>(Loss) profit before tax and distribution to unitholders has been arrived at after charging (crediting):</b>		
Auditors' remuneration	2,590	2,180
Trustee's remuneration	14,685	14,084
Principal valuer's fee	270	312
Other professional fees and charges	2,779	9,105
Roadshow and public relations expenses	1,510	1,832
Bank charges	288	285
Exchange difference	843	(449)

## 11. INCOME TAXES

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<b>Hong Kong Profits Tax:</b>		
<b>Current tax</b>		
- Current year	249,435	247,375
- (Over)underprovision in prior years	(190)	176
	<u>249,245</u>	<u>247,551</u>
<b>Deferred tax</b>		
- Current year	41,615	41,273
	<u>290,860</u>	<u>288,824</u>

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

## 12. BASIC (LOSS) EARNINGS PER UNIT

The calculation of the basic (loss) earnings per unit before distribution to unitholders is based on the loss for the year before distribution to unitholders of HK\$570,322,000 (2018: profit for the year before distribution to unitholders of HK\$7,812,057,000) with the weighted average number of units of 5,864,870,564 (2018: 5,840,508,339) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2019 and 2018.

There were no dilutive potential units in issue during the years ended 31 December 2019 and 2018, therefore the diluted (loss) earnings per unit has not been presented.

## 13. TRADE AND OTHER RECEIVABLES

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Trade receivables	10,467	27,736
Deferred lease payments	166,052	169,575
Deposits, prepayments and other receivables	82,845	99,538
	<u>259,364</u>	<u>296,849</u>

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

### 13. TRADE AND OTHER RECEIVABLES - continued

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

	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
0 - 3 months	<b><u>10,467</u></b>	<b><u>27,736</u></b>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$10,467,000 (2018: HK\$27,736,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

### 14. TRADE AND OTHER PAYABLES

	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
Trade payables	<b>101,835</b>	79,127
Rental received in advance	<b>50,077</b>	19,852
Other payables and accruals	<b>278,418</b>	274,714
Accrued stamp duty	<b><u>963,475</u></b>	<b><u>963,475</u></b>
	<b><u>1,393,805</u></b>	<b><u>1,337,168</u></b>

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2018: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interest in Three Garden Road upon listing.

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

	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
0 - 3 months	<b><u>101,835</u></b>	<b><u>79,127</u></b>

## 15. ISSUED UNITS

	<u>Number of units</u>	<u>HK\$'000</u>
Balance at 1 January 2018	5,823,028,120	24,278,216
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>24,064,684</u>	<u>136,723</u>
<b>Balance at 31 December 2018</b>	<b>5,847,092,804</b>	<b>24,414,939</b>
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>25,696,507</u>	<u>149,471</u>
<b>Balance at 31 December 2019</b>	<b><u>5,872,789,311</u></b>	<b><u>24,564,410</u></b>

Note:

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

<u>Issue date</u>	<u>Payment of the Manager's fees for the period</u>	<u>Issue price per unit determined based on the Trust Deed HK\$</u>	<u>Number of units issued</u>	<u>Aggregate issue price HK\$'000</u>
<b>In 2019</b>				
8 March 2019	1.7.2018 to 31.12.2018	6.460	11,410,795	73,714
29 August 2019	1.1.2019 to 30.6.2019	5.303	<u>14,285,712</u>	<u>75,757</u>
			<b><u>25,696,507</u></b>	<b><u>149,471</u></b>
<b>In 2018</b>				
1 March 2018	1.7.2017 to 31.12.2017	5.570	11,870,272	66,117
31 August 2018	1.1.2018 to 30.6.2018	5.790	<u>12,194,412</u>	<u>70,606</u>
			<u>24,064,684</u>	<u>136,723</u>

## 16. 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 2019 of HK\$64,834,322,000 (2018: HK\$66,760,928,000) by the number of units in issue of 5,872,789,311 as at 31 December 2019 (2018: 5,847,092,804).

## 17. NET CURRENT LIABILITIES

At 31 December 2019, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$2,074,449,000 (2018: HK\$4,727,043,000).



**18. TOTAL ASSETS LESS CURRENT LIABILITIES**

At 31 December 2019, the Group's total assets less current liabilities amounted to HK\$79,379,651,000 (2018: HK\$78,666,061,000).

**19. CAPITAL COMMITMENT**

	<b><u>2019</u></b> <b>HK\$'000</b>	<b><u>2018</u></b> <b>HK\$'000</b>
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	<u>-</u>	<u>19,551</u>