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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

2023 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 nearly 3 million sq. ft. of prime office and retail floor area. These include two Hong Kong landmark properties, Three Garden Road and Langham Place, as well as joint venture stake in 66 Shoe Lane in Central London.

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 2023 (“Year” or “Period”).

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023

	2023	2022	Change
For the entire year	HK\$ million	HK\$ million	
Total Rental Income ¹	2,312	2,359	- 2.0%
Net Property Operating Expenses ¹	366	328	+ 11.5%
Net Property Income	1,946	2,031	- 4.2%
Distributable Income	1,122	1,298	- 13.6%
Distribution Amount	1,012	1,168	- 13.4%
Distribution per Unit (HK\$)	0.1683	0.1954	- 13.9%

	2023	2022	Change
As at 31 December	HK\$ million	HK\$ million	
Gross Value of Portfolio	62,950	63,555	- 1.0%
Net Asset Value per Unit (HK\$)	7.72	7.91	- 2.4%
Gearing Ratio	22.8%	22.5%	+ 0.3 pp
Net Expense Ratio (entire year)	15.8%	13.9%	+ 1.9 pp
Payout Ratio (entire year)	90.2%	90.0%	+ 0.2 pp

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 return of tourists following the full border reopening in 2023 helped revive the Hong Kong retail market. Although the overall tourism and consumer demand still lagged behind the pre-COVID levels, the Trust's retail rental income has shown satisfactory growth due to improved footfall and tenants' sales. With the resumption of international business travels, there was a return to in-person business interactions. However, Hong Kong office leasing activities remained sluggish as occupiers continued to be cost cautious. The overall operating environment remained challenging for the Trust. Distributable income dropped by 13.6% to HK\$1,122 million (2022: HK\$1,298 million) and distribution per unit ("DPU") declined by 13.9% to HK\$0.1683 (2022: HK\$0.1954).

Langham Place Mall delivered a solid performance, buoyed by the strong rebound in retail sales. However, the growth in rental income of the mall was not sufficient to offset the negative rental reversion of the office portfolio, resulting in a mild decrease in rental income of the Trust by 2.0% to HK\$2,312 million (2022: HK\$2,359 million). Net property expenses of the Trust increased by 11.5% to HK\$366 million (2022: HK\$328 million) mainly due to increase in net building management expenses, other operating expenses and rental commission due to higher turnover of leases. Net property income of the Trust decreased by 4.2% to HK\$1,946 million (2022: HK\$2,031 million). Share of results of a joint venture amounted to a loss of HK\$69 million (2022: loss of HK\$43 million) primarily due to revaluation loss of the 27% minority-owned property 66 Shoe Lane in London.

Most importantly, the high interest rate environment drove up the interest expenses where cash finance cost rose to HK\$590 million in 2023 (2022: HK\$418 million) amid a higher HIBOR on average, although it also elevated the Trust's bank interest income which resulted in an increase in other income to HK\$51 million (2022: HK\$26 million). During 2023, the Trust arranged a total of HK\$2,850 million of credit facilities for the preparation of refinancing. The fixed-rate debt portion maintained at a balanced level of 54.5% as at 31 December 2023 (31 December 2022: 75.0%).

The appraised value of the Trust's properties decreased by 1.0% to HK\$62.9 billion as at 31 December 2023 from HK\$63.6 billion as at 31 December 2022. The decline was mainly due to lower rental rate assumptions. Net asset value per unit decreased to HK\$7.72 as at 31 December 2023 (31 December 2022: HK\$7.91). Gearing ratio maintained at healthy level of 22.8% as at 31 December 2023 (31 December 2022: 22.5%).

OPERATIONAL REVIEW

Three Garden Road

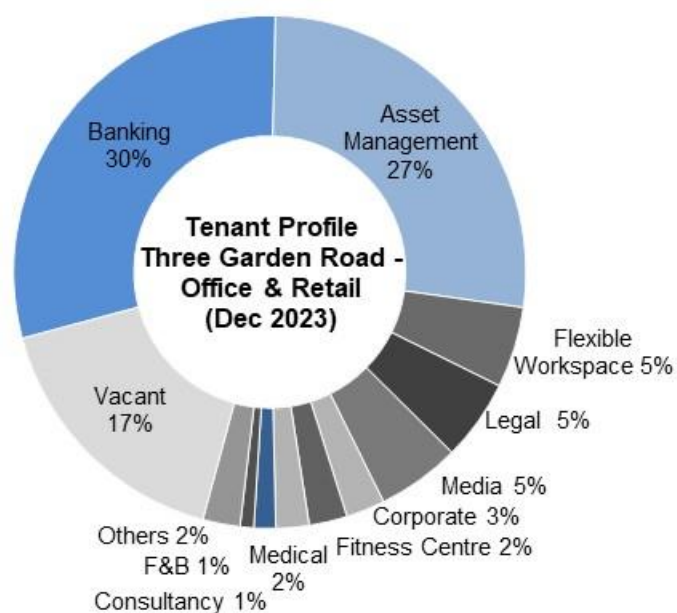
	2023	2022	Change
	HK\$'000	HK\$'000	
Rental Income	1,222,222	1,346,002	- 9.2%
Net Property Operating Expenses	139,920	135,042	+ 3.6%
Net Property Income	1,082,302	1,210,960	- 10.6%

While we saw a rise in the number of enquiries after the full border reopening, the overall leasing momentum for the Central office market remained slow in 2023. Given the subdued financial market activities with lower average daily turnover and fewer initial public offerings in the local securities market, the expansion needs from finance and banking sector remained conscious. Demand for the Grade A Central office was dominated by relocation within the district as well as small-sized new set-ups.

Amid the backdrop of sluggish market sentiment, we stayed flexible in our leasing strategy to cater for the different requirements of tenants. We managed to maintain a stable occupancy for Three Garden Road despite the challenging and competitive market landscape. Occupancy as at 31 December 2023 was 82.8% (31 December 2022: 82.7%). The expansion of in-house tenants in the financial sector offset the departures by a slight margin.

However, in view of the availability in existing buildings together with the upcoming supply, the rental market in Central as well as Three Garden Road continued to be under pressure. Passing rent of the property decreased to HK\$91.7 per sq. ft. (based on lettable area) as at 31 December 2023 (31 December 2022: HK\$99.7 per sq. ft.). Rental income dropped to HK\$1,222 million (2022: HK\$1,346 million) as a result of negative rental reversion.

We continued to enhance the quality of the property to maintain the competitive advantage. In addition to the completion of a comprehensive lift modernisation project to improve the efficiency of elevators, new electric vehicle chargers were installed to further enhance amenities and accommodate an increasing number of electric vehicles in Hong Kong. A full-scale renovation project for washrooms was initiated in 2023 to incorporate up-to-date facilities and technologies. We also curated various activities such as the monthly “Musica del Cuore” concert series to enhance tenant engagement and experience.

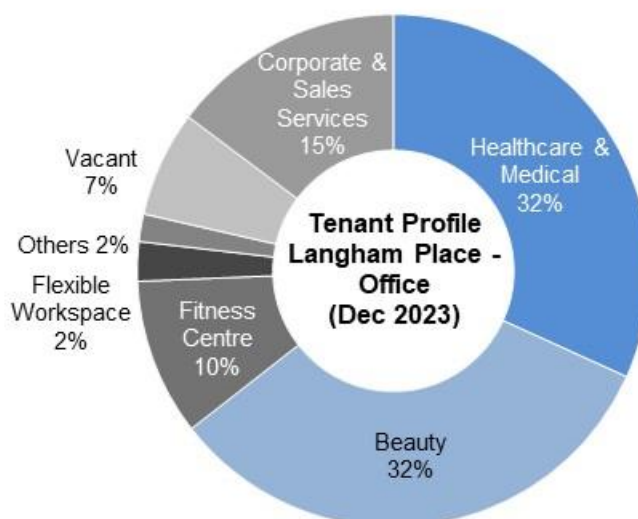


Net property operating expenses increased by 3.6% to HK\$140 million (2022: HK\$135 million) mainly due to higher other operating expenses. Net property income decreased by 10.6% to HK\$1,082 million (2022: HK\$1,211 million).

Langham Place Office Tower

	2023	2022	Change
	HK\$'000	HK\$'000	
Rental Income	349,760	363,291	- 3.7%
Net Property Operating Expenses	45,834	37,449	+ 22.4%
Net Property Income	303,926	325,842	- 6.7%

While Langham Place Office Tower demonstrated resilience during the pandemic, leasing enquiries and inspection activities receded, partly because of a slow revival in mainland medical tourism for the beauty and healthcare segments following the full border re-opening. Yet occupancy remained stable at 93.3% as at 31 December 2023 (31 December 2022: 93.3%). Lifestyle tenants continued to be the major occupiers of the property, accounting for 74% of the area as at 31 December 2023.



Demand from the healthcare and beauty segments for establishing new operations in Langham Place Office Tower continued. Though market rental of the property softened, passing rent stayed largely stable at HK\$45.9 per sq. ft. (based on gross floor area) as at 31 December 2023 (31 December 2022: HK\$46.0 per sq.ft.). Rental income declined 3.7% to HK\$350 million (2022: HK\$363 million).

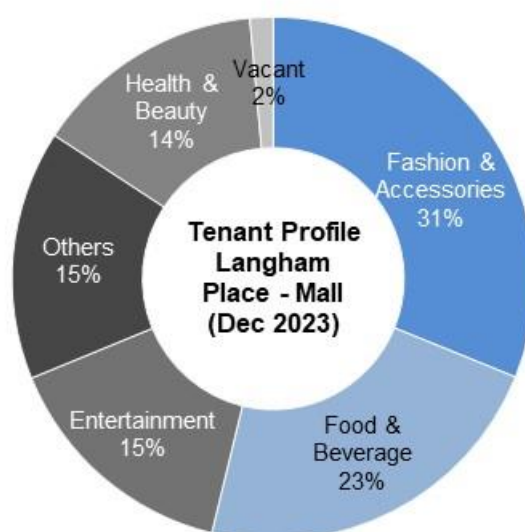
Net operating expenses rose to HK\$46 million (2022: HK\$37 million) mainly because of increase in rental commissions due to the renewal of an anchor tenant and other operating expenses. Net property income dropped by 6.7% to HK\$304 million (2022: HK\$326 million).

Langham Place Mall

	2023	2022	Change
	HK\$'000	HK\$'000	
Rental Income	740,007	649,646	+ 13.9%
Net Property Operating Expenses	180,514	155,854	+ 15.8%
Net Property Income	559,493	493,792	+ 13.3%

The overall Hong Kong retail market recorded satisfactory recovery in the post pandemic era with total retail sales increased by 16.2% in 2023. Langham Place Mall achieved an above-market average performance with tenants' sales growing significantly by 50.5%, thanks to the strong recovery in the beauty segment following the full border reopening. The influx of tourists spurred a solid rebound in footfall by 27% in 2023 to around 90% of the 2019 levels.

Sales of the beauty segment soared more than two-fold, delivering a substantial growth in turnover rent portion by 91.9% to HK\$224 million (2022: HK\$117 million). It in turn boosted the rental income of the mall by 13.9% to HK\$740 million (2022: HK\$650 million). Passing rent also improved solidly to HK\$185.3 per sq. ft. (based on lettable area) as at 31 December 2023 (31 December 2022: HK\$157.1 per sq. ft.). Base rent portion amounted to HK\$457 million for 2023 (2022: HK\$481 million). Majority of the tenants resumed to pay base rent during the year as retail sales rallied. The proportion of tenants paying turnover rent only lowered to less than 1% as at 31 December 2023.



The mall kept on bringing in new tenants last year to enrich the tenant mix for shoppers. In 2023, over 30 new tenants have established their footprint in Langham Place Mall, including an award-winning Japanese soup curry outlet setting up their first store in Hong Kong in the mall. We also welcomed new entrants across different categories, from trendy apparel, lifestyle to a pet-related supermarket making their first forays into the mall. To enhance rental returns and product offerings, we undertook re-modelling work to make subdivided units available. Occupancy of the mall stood at 98.6% as at 31 December 2023 (31 December 2022: 100%) due to tenant turnover.

In addition to sales-driven promotions throughout the year, we fortified our role as a “super connector” and stepped up our collaboration with various stakeholders to organise events involving tenants, non-profit organisations and the community. For example, we joined hands with the Hong Kong Cancer Fund for Christmas. Proceeds of sales of selected teddy bears at the event were donated to help children whose families are affected by cancer.

Net property expenses rose by 15.8% to HK\$181 million (2022: HK\$156 million) as a result of higher rental commission due to higher turnover of leases, net building management expenses and other operating expenses. Net property income went up by 13.3% to HK\$559 million (2022: HK\$494 million).

OUTLOOK

Despite that the uncertainties in the outlook of the global economy in 2024 against the backdrop of geopolitical tensions and wars in certain regions, the moderation of inflation and potential interest rate cuts could ease the pressure on commercial real estate valuation and interest expenses. For the domestic retail market, the strong local currency may hinder the growth this year following a solid recovery in 2023.

The Grade A Central office market is expected to remain challenging due to lower demand and higher supply situation. We will keep a close eye on the market opportunities and continue to adopt a flexible leasing strategy to fulfil the requirements of different tenants. Rental for Central office and Three Garden Road would continue to be under pressure in the competitive landscape. We will also remain adaptable in retaining and attracting new tenants for Langham Place Office. While the property has been resilient, some beauty operators may take a more conservative approach in expanding their office requirement as tourists business has not recovered as expected.

The robust rebound in retail sales of Langham Place Mall has brought the rent to sales ratio to a lower level similar to pre-COVID levels. Short-term leases entered during the pandemic allowed us to capture the revival to achieve rental increase for most renewals and new leases. Though the pace of retail sales growth may turn more modest than last year, the overall rental income growth trajectory is expected to continue this year. We will continue to fine tune the tenant mix to enhance the shopping experiences and generate higher rental returns. In addition to a range of marketing activities, the 20th anniversary celebrations of the mall would be a key campaign to drive sales and strengthen its positioning as a trendy icon in the retail sector in the year ahead.

The interest rate hike cycle may be close to an end but the pace and timing of rate cuts are still up in the air. With notional amount of HK\$2.9 billion of interest rate swap contracts due to expire this year, interest expenses in 2024 are expected to trend up as the average fixed rate of these contracts was lower than the prevailing HIBOR and swap rates. We will monitor the market situation with the aim to maintain a balanced fixed-rate debt portion. Refinancing of debt maturing this year is under way. Total committed undrawn facilities of HK\$3.6 billion as at 31 December 2023 were available for refinancing needs.

In summary, the overall recovery path appears to be bumpy for 2024. Rental income and DPU of the Trust are expected to continue to face downside risks. The anticipated interest rate cuts may lessen pressure to some extent. We will continue our efforts in optimising the rental income of the properties portfolio and managing the risks under the challenging market conditions.

SUSTAINABILITY

Climate-related and well-being issues are diverse, and inextricably intertwined into the business landscape. Partnership always holds the key for us to connect our stakeholders in building a value-added ecosystem for the Trust, implementing nimble strategies, fostering an adaptive culture, and improving resilience.

Our initiatives around climate resilience, stakeholder engagement and community well-being foster a strong and inclusive environment. These behavioural changes in lifestyle and consumption are expected to lead to progress towards our 2030 ESG Targets and 2045 Net Zero Commitment. The top Five-star rating given by GRESB Real Estate Assessment's Disclosure A level has validated our effort in enhanced environmental performance at a property-level. Langham Place Office Tower's attainment of BEAM Plus Existing Building Platinum Certification is another accomplishment in reaching our 2030 green building targets. We also placed green deposits with local banks to support green projects in our contribution to the city's sustainable finance development during the year.

Capacity building in partnership is crucial to designing and developing a shared climate resilience solution to manage and mitigate related risks and opportunities. During the year, we launched the first ESG Forum to gather like-minded representatives in the industry to push for a low carbon transition. We also encouraged our tenants to join the "Green Champion Challenge" in energy and waste reduction. This served as an important milestone in our carbon data inventory and disclosure.

We place the same emphasis in our stakeholders' physical and mental well-being in the Trust's corporate culture and operations. Through engaging them in initiatives such as the waste-to-farm-to-table project, Christmas social enterprise pop-up market and the flagship Three Garden Road's "Musica del Cuore" classical concerts, we strive to promote a balanced and sustainable lifestyle among our staff, tenants and music lovers. We have displayed artworks from famous artists in the public areas to impart an elegant and comfortable interior for our tenants. We also seek to strengthen community resilience through ongoing outreach and incubating innovative campaigns with social enterprises and community partners.

Moving forward, we will continue to identify and reinforce initiatives that advance sustainable development to generate shared positive values together with our stakeholders. By fostering collaborative efforts, we champion greater resilience for our corporate ecosystem.

VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Cushman & Wakefield Limited on 6 February 2024, the valuation of the properties of Champion REIT, broken down by usage as at 31 December 2023 was:

	Three Garden Road	Langham Place	Sub-total
31 Dec 2023 Valuation	HK\$ mil	HK\$ mil	HK\$ mil
Office	36,746	8,719	45,465
Retail	594	15,557	16,151
Car Park	623	405	1,028
Miscellaneous	142	164	306
Total	38,105	24,845	62,950

As at 31 December 2023, the appraised value of the Trust's property portfolio was HK\$62.9 billion, down by 1.0% from HK\$63.6 billion as at 31 December 2022. The decrease was primarily driven by lower rental assumptions. The capitalisation rates used to value Three Garden Road, Langham Place Office and Langham Place Mall remained unchanged at 3.7%, 4.1% and 4.0% respectively.

FINANCIAL REVIEW

DISTRIBUTIONS

The total distribution amount of Champion REIT for the year was HK\$1,012 million, representing a decline of 13.4% compared to HK\$1,168 million in 2022. The total distribution amount was about 90.2% of Champion REIT's distributable income.

The distribution per unit for the six months ended 31 December 2023 ("Final Distribution per Unit") was HK\$0.0756. The final distribution amount to be paid to unitholders on 24 May 2024 would be based on the Final Distribution per Unit of HK\$0.0756 and the total number of issued units as of 20 May 2024, the record date set for the final distribution.

With an Interim Distribution per Unit of HK\$0.0927 and a Final Distribution per Unit of HK\$0.0756, the Total Distribution per Unit for 2023 amounted to HK\$0.1683 (2022: HK\$0.1954). Based on the closing unit price of HK\$2.45 recorded on 29 December 2023, the Total Distribution per Unit represented a distribution yield of 6.9%.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024 ("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 2023 will be made on Friday, 24 May 2024 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 31 December 2023 and be eligible to attend and vote at the 2024 Annual General Meeting to be held on Monday, 20 May 2024, 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 4:30pm on Monday, 13 May 2024.

PROACTIVE LIABILITY MANAGEMENT

Outstanding Debt Facilities ⁽¹⁾

As at 31 December 2023
(HK\$ million)

	Fixed rate debts	Floating rate debts	Utilised facilities
Unsecured bank loans ⁽³⁾	3,900	6,643	10,543
Medium Term Notes ⁽⁴⁾	4,045	-	4,045
Total	7,945	6,643	14,588
	54.5%	45.5%	100.0%

(1) All amounts are stated at face value

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

(3) The Trust entered interest rate swaps contracts of notional amount of HK\$3,900 million to manage interest rate exposure

(4) (i) The Trust entered into cross currency swaps contracts of notional amount of US\$300 million at an average rate of HK\$7.8176 to US\$1.00 to mitigate exposure to fluctuations in exchange rate and interest rate of US dollars;

(ii) Equivalence of HK\$2,345 million (after accounting for cross currency swaps) were US dollars notes

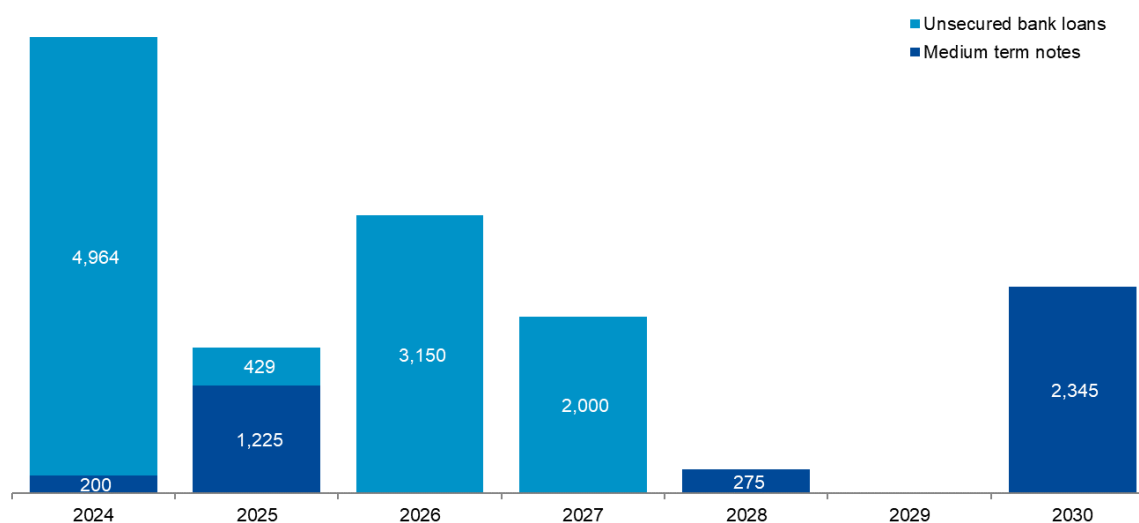
In January 2023, the Trust successfully redeemed its outstanding medium-term notes amounting to HK\$2,998 million. The redemption was primarily funded by tapping into new banking facilities extended to the Trust. As a proactive measure to prepare the Trust for future funding requirements, we secured additional financing and early refinancing of standby revolving lines during the reporting period. As at 31 December 2023, total outstanding debt of the Trust maintained at HK\$14.6 billion with a total committed standby debt facilities of HK\$3,857 million remained undrawn.

The redemption of fixed-rate notes in January 2023 led to a decrease in the fixed-rate debt proportion. Despite this, the resultant ratio remained balanced at 54.5%, providing effective hedging against fluctuations in the interest rate environment during 2023. However, as interest rate swaps with notional amount of HK\$2,900 million are due to mature in June 2024, the hedge ratio is anticipated to decrease. The Manager is actively monitoring the interest rate swaps market and has plans in place to secure new swaps, with the objective to effectively mitigate interest rate risks and maintain a stable financial cost structure.

During the reporting period, the weighted average effective interest rate (excluding origination fees), after accounting for interest rate swaps and cross currency swaps, was 4.0% (2022: 2.8%). The weighted average life of the Trust's outstanding debt was 2.3 years as at 31 December 2023 (2022: 2.5 years).

Outstanding debt maturity profile⁽¹⁾

As at 31 December 2023
(HK\$ million)



(1) All amounts are stated at face value

The Trust's investment properties were appraised at a total value of HK\$62.9 billion as at 31 December 2023, representing a 1.0% decrease from HK\$63.6 billion as at 31 December 2022. The Trust's total borrowings as a percentage of its gross asset value (defined as total gross assets less distribution payable pursuant to the Trust Deed) was 22.8% (2022: 22.5%) as at 31 December 2023. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 28.0% (2022: 27.6%).

LIQUIDITY POSITION

As at 31 December 2023, the Trust held cash and deposits of HK\$981 million and standby committed debt facilities of HK\$3,857 million remained undrawn. Excluding a standby committed debt facility of HK\$286 million which will lapse in June 2024, the remaining HK\$3,571 million provided a prudent safety net for addressing the upcoming refinancing requirements in 2024.

The Manager has demonstrated a commitment to ensuring financial stability by actively seeking financing opportunities. The Manager is currently in discussions with banks with well-established relationships to refinance the forthcoming bank loan due in June 2024. Other than loan financing, the Manager can also leverage the medium-term note programme which provides an alternative avenue for raising funds for the Trust. The diverse financing sources enables the Trust to maintain sufficient liquid assets to support its working capital and operating requirements.

NET ASSETS VALUE PER UNIT

The Net Asset Value per Unit was HK\$7.72 (2022: HK\$7.91) as at 31 December 2023. It represented a 215.1% premium to the closing unit price of HK\$2.45 as at 29 December 2023.

COMMITMENTS

As at 31 December 2023, capital expenditure that the Trust authorised for the improvement works of investment properties that was contracted for but not provided in the consolidated financial statements amounted to HK\$11 million.

Save as aforementioned, the Trust did not have any other significant commitments at the end of the reporting period.

NEW UNITS ISSUED

As at 31 December 2023, the total number of issued Units of Champion REIT was 6,013,734,531. As compared with the position of 31 December 2022, a total of 40,058,941 new Units were issued during the year as follows:-

- On 5 September 2023, 23,052,287 new Units were issued to the REIT Manager at the price of HK\$2.62 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$60,397,000 for the first half of 2023.
- On 13 March 2023, 17,006,654 new Units were issued to the REIT Manager at the price of HK\$3.519 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$59,846,000 for the second half of 2022.

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 REIT Code) during the year ended 31 December 2023.

RELEVANT INVESTMENTS AND INVESTMENTS IN PROPERTY DEVELOPMENT AND RELATED ACTIVITIES

As at 31 December 2023, the portfolio of Relevant Investments represented approximately 0.47% of the gross asset value of Champion REIT. The combined value of (i) all Relevant Investments; (ii) all Non-qualified Minority-owned Properties; (iii) other ancillary investments; and (iv) all of the Property Development Costs (as defined in 7.2C of the REIT Code) represented approximately 0.92% of the gross asset value of Champion REIT as at 31 December 2023, and therefore is within the Maximum Cap, being 25% of the gross asset value of Champion REIT.

The full investment portfolio of the Relevant Investments¹ of Champion REIT as at 31 January 2024⁴ is set out below:

As at 31 January 2024	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$ '000 ²)	Mark-to-market Value (HK\$ '000 ²)	Weighting of GAV ³	Credit Rating (S&P's/Moody's /Fitch's)
NANFUN 4 7/8 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,602	53,379	0.0831%	BBB- / Baa3 / -
CAPG 6.35 02/08/24	Bond	Singapore Exchange	Cayman Islands	USD	38,747	855	0.0013%	- / - / -
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	46,493	4,182	0.0065%	- / - / -
HKE 2 7/8 05/03/26	Bond	Hong Kong Exchange	BVI	USD	7,758	7,490	0.0117%	A- / - / -
CKHH 1 1/2 04/15/26	Bond	Singapore Exchange	Cayman Islands	USD	14,530	14,544	0.0226%	A / A2 / A-
SWIPRO 3 5/8 01/13/26	Bond	Hong Kong Exchange	Hong Kong	USD	23,526	22,810	0.0355%	- / A2 / A
MOLAND 7 12/30/23	Bond	Singapore Exchange	Cayman Islands	USD	1,247	39 ⁵	0.0001%	- / - / -
MOLAND 11 12/30/27	Bond	Singapore Exchange	Cayman Islands	USD	2,495	80	0.0001%	- / - / -
Total					191,399⁶	103,380	0.1609%	

- Notes:
- (1) As defined in 7.2B of the REIT Code, Relevant Investments are the financial instruments permissible from time-to-time to invest in, including (without limitation): (i) securities listed on the Stock Exchange or other internationally recognised stock exchanges; (ii) unlisted debt securities; (iii) government and other public securities; and (iv) local or overseas property funds.
 - (2) All figures presented above have been rounded to the nearest thousand.
 - (3) The weighting of gross asset value ("GAV") is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.
 - (4) The full investment portfolio of the Relevant Investments is updated monthly within five business days of the end of each calendar month on the website of Champion REIT.
 - (5) Based on the publicly available latest transaction price (as of 9 January 2024).
 - (6) The accumulated bond interest income received from the corresponding bonds investment with a total cost of HK\$191,399,000 as at 31 January 2024 was approximately HK\$33,844,000.

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 implemented by the REIT Manager placing a strong emphasises on accountability to all Unitholders, revolving conflict of interests, transparent in reporting, compliance with relevant regulations and maintain sound operating and investing procedures. To ensure effective implementation of this framework, the REIT Manager has established a comprehensive set of compliance procedures and guidelines ("Compliance Manual") that set out the key processes, systems and measures.

Throughout the year ended 31 December 2023, the REIT Manager and Champion REIT had complied with the REIT Code, 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 had also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the Year.

In view of upholding the high standard of corporate governance, Director Independence Policy was established. Furthermore, upon periodic review, some housekeeping and other amendments were made to Anti-Money Laundering and Counter-Financing of Terrorism Procedures, Compliance Manual, Operation Manual, Procedures for Common Reporting Standard and Sanction Screening Procedures.

Key components of the governance framework and the corporate governance report for the year ended 31 December 2023 will be set out in the 2023 Annual Report.

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 25 May 2023. During the year ended 31 December 2023, 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 2023 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

ANNUAL GENERAL MEETING

The 2024 Annual General Meeting of Champion REIT will be held on Monday, 20 May 2024 at 4:00pm. Notice of the meeting will be published and despatched to Unitholders in due course, if appropriate.

ISSUANCE OF ANNUAL REPORT

The 2023 Annual Report of Champion REIT will be despatched to Unitholders and published on the websites of the HKEXnews (www.hkexnews.hk) and Champion REIT (www.ChampionReit.com) before the end of March 2024.

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 2023 as set out in this announcement have been agreed by the Trust's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Trust's audited consolidated financial statements for the year as approved by the Board of Directors on 21 February 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 Ms Wong Mei Ling, Marina; one Executive Director, Ms Hau Shun, Christina (*Chief Executive Officer*); and four Independent Non-executive Directors, namely Professor Chan Ka Keung, Ceajer, Mr Cheng Wai Chee, Christopher, Mr Ip Yuk Keung, Albert 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, 21 February 2024

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Rental income	5	2,279,373	2,329,642
Building management fee income		263,665	266,372
Rental related income	6	<u>32,616</u>	<u>29,297</u>
Total revenue		2,575,654	2,625,311
Property operating expenses	7	<u>(629,933)</u>	<u>(594,717)</u>
Net property income		1,945,721	2,030,594
Other income	8	51,335	26,410
Manager's fee	9	(236,305)	(246,414)
Trust and other expenses		(21,555)	(26,823)
Decrease in fair value of investment properties		(641,377)	(1,749,233)
Fair value changes on financial assets at fair value through profit or loss		-	(20,146)
Allowance for credit losses on notes receivables and interest receivables		-	(48,240)
Finance costs	10	(619,418)	(447,522)
Share of results of a joint venture		<u>(69,352)</u>	<u>(42,508)</u>
Profit (loss) before tax and distribution to unitholders	11	409,049	(523,882)
Income taxes	12	<u>(188,433)</u>	<u>(225,442)</u>
Profit (loss) for the year, before distribution to unitholders		220,616	(749,324)
Distribution to unitholders		<u>(1,011,968)</u>	<u>(1,168,444)</u>
Loss for the year, after distribution to unitholders		<u>(791,352)</u>	<u>(1,917,768)</u>
Basic earnings (loss) per unit	13	<u>HK\$0.04</u>	<u>HK\$(0.13)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Loss for the year, after distribution to unitholders	<u>(791,352)</u>	<u>(1,917,768)</u>
Other comprehensive (expense) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss on equity instruments at fair value through other comprehensive income	(34,706)	(42,723)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	11,426	4,784
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(64,031)	107,427
Reclassification of fair value adjustments to profit or loss	(64,609)	(119)
Deferred tax related to fair value adjustments recognised in other comprehensive income	<u>10,460</u>	<u>(14,207)</u>
	<u>(141,460)</u>	<u>55,162</u>
Total comprehensive expense for the year	<u><u>(932,812)</u></u>	<u><u>(1,862,606)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000 (Restated)
Non-current assets			
Investment properties		62,949,800	63,555,000
Notes receivables		46,114	99,984
Interests in a joint venture	14	189,028	238,974
Equity instruments at fair value through other comprehensive income		-	152,819
Derivative financial instruments		-	111,589
Total non-current assets		<u>63,184,942</u>	<u>64,158,366</u>
Current assets			
Trade and other receivables	15	192,430	233,121
Notes receivables		53,774	84,270
Tax recoverable		8,531	2,082
Derivative financial instruments		45,895	16,109
Short-term bank deposits		82,196	66,380
Bank balances and cash		898,386	668,551
Total current assets		<u>1,281,212</u>	<u>1,070,513</u>
Total assets		<u>64,466,154</u>	<u>65,228,879</u>
Current liabilities			
Trade and other payables	16	1,415,492	1,422,512
Deposits received		651,242	654,575
Tax liabilities		133,743	85,858
Distribution payable		454,408	534,883
Bank borrowings		4,958,536	699,324
Medium term notes		199,985	3,017,389
Total current liabilities		<u>7,813,406</u>	<u>6,414,541</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments		107,931	38,122
Bank borrowings		5,537,000	6,795,524
Medium term notes		3,813,632	4,006,947
Deferred tax liabilities		778,987	745,978
Total non-current liabilities, excluding net assets attributable to unitholders		<u>10,237,550</u>	<u>11,586,571</u>
Total liabilities, excluding net assets attributable to unitholders		<u>18,050,956</u>	<u>18,001,112</u>
Net assets attributable to unitholders		<u>46,415,198</u>	<u>47,227,767</u>
Number of units in issue ('000)	17	<u>6,013,735</u>	<u>5,973,676</u>
Net asset value per unit	18	<u>HK\$7.72</u>	<u>HK\$7.91</u>

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Profit (loss) for the year, before distribution to unitholders	220,616	(749,324)
Adjustments:		
- Fair value changes on financial assets at fair value through profit or loss	-	20,146
- Allowance for credit losses on notes receivables and interest receivables	-	48,240
- Manager's fee paid and payable in units	118,152	123,207
- Decrease in fair value of investment properties	641,377	1,749,233
- Share of results of a joint venture	69,352	42,508
- Non-cash finance costs	29,068	29,831
- Deferred tax	43,469	34,430
Total distributable income for the year (note (i))	<u>1,122,034</u>	<u>1,298,271</u>
Interim distribution, paid to unitholders (note (ii))	557,560	633,561
Final distribution, to be paid to unitholders (note (iii))	454,408	534,883
Total distributions for the year	<u>1,011,968</u>	<u>1,168,444</u>
Payout ratio	<u>90.2%</u>	<u>90.0%</u>
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK\$0.0927	HK\$0.1061
Final distribution per unit, to be paid to unitholders (note (iii))	HK\$0.0756	HK\$0.0893
	<u>HK\$0.1683</u>	<u>HK\$0.1954</u>

Notes:

(i) Pursuant to the Trust Deed, the total distributable income is profit (loss) 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) For the six months ended 30 June 2023, the interim distribution amounted to HK\$557,560,000, calculated based on an interim distribution per unit of HK\$0.0927 and 6,013,734,531 units in issue as at 22 September 2023, which was the record date set for such period.

The interim distribution per unit of HK\$0.1061 for the six months ended 30 June 2022 was calculated based on the interim distribution paid of HK\$633,561,000 for the period and 5,973,675,590 units in issue as at 23 September 2022, which was the record date set for such period.

(iii) The final distribution per unit of HK\$0.0756 for the six months ended 31 December 2023 is calculated based on the final distribution of HK\$454,408,000 for such period and 6,013,734,531 units in issue as of 31 December 2023. The final distribution amount to be paid to unitholders on 24 May 2024 would base on the final distribution per unit of HK\$0.0756 and the total number of issued units as of 20 May 2024, which is the record date set for such period.

The final distribution per unit of HK\$0.0893 for the six months ended 31 December 2022 was calculated based on the final distribution paid of HK\$534,883,000 for the period and 5,990,682,244 units in issue as at 19 May 2023, which was the record date set for such period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

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, the First Amending and Restating Deed dated 21 April 2021 and the Supplemental Deed 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 "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 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

In 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, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

In addition, the Group has early applied the Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments") for the first time in the current year.

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

Impacts on early application of the 2020 Amendments and the 2022 Amendments

The 2022 Amendments modified the requirements introduced by the 2020 Amendments and provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months;
- specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, while covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period; and
- specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

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

Impacts on early application of the 2020 Amendments and the 2022 Amendments - continued

Under the existing revolving loan arrangement with banks, each rollover request is subject to compliance of conditions as specified in respective facility agreements. Upon the early application of the 2020 Amendments and 2022 Amendments retrospectively, the outstanding revolving loans for which the Group has the right to rollover for at least twelve months after the end of the reporting date are classified as non-current liabilities.

Except as described above, the application of the 2020 and 2022 Amendments do not affect the classification of the Group's other liabilities as at 31 December 2023 and 2022.

The following tables summarise the impacts on the Group's consolidated statement of financial position for each of the line items affected. Line items that were not affected by the changes have not been included and there were no other reclassification or adjustments required on the comparative figures on the consolidated income statement and consolidated statement of cash flows.

Impact on the consolidated statement of financial position

	Carrying amounts previously reported at <u>31 December 2022</u> HK\$'000	<u>Reclassification</u> HK\$'000	<u>As at</u> <u>31 December 2022</u> HK\$'000 (Restated)
Current liabilities			
Bank borrowings	1,226,258	(526,934)	699,324
Total current liabilities	<u>6,941,475</u>	<u>(526,934)</u>	<u>6,414,541</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Bank borrowings	6,268,590	526,934	6,795,524
Total non-current liabilities, excluding net assets attributable to unitholders	<u>11,059,637</u>	<u>526,934</u>	<u>11,586,571</u>

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

Impacts on early application of the 2020 Amendments and the 2022 Amendments – continued

Impact on the consolidated statement of financial position - continued

	Carrying amounts previously reported at <u>31 December 2021</u> HK\$'000	<u>Reclassification</u> HK\$'000	As at 1 January 2022 HK\$'000 (Restated)
Current liabilities			
Bank borrowings	1,383,286	(1,383,286)	-
Total current liabilities	<u>4,918,080</u>	<u>(1,383,286)</u>	<u>3,534,794</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Bank borrowings	6,255,820	1,383,286	<u>7,639,106</u>
Total non-current liabilities, excluding net assets attributable to unitholders	<u>13,992,305</u>	<u>1,383,286</u>	<u>15,375,591</u>

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

3. 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.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK\$6,532,194,000 (2022 (restated): HK\$5,344,028,000). 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 2023

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	<u>1,360,245</u>	<u>399,538</u>	<u>815,871</u>	<u>2,575,654</u>
Segment results				
- Net property income	<u>1,082,302</u>	<u>303,926</u>	<u>559,493</u>	1,945,721
Other income				51,335
Manager's fee				(236,305)
Trust and other expenses				(21,555)
Decrease in fair value of investment properties				(641,377)
Finance costs				(619,418)
Share of results of a joint venture				(69,352)
Profit before tax and distribution to unitholders				409,049
Income taxes				(188,433)
Profit for the year, before distribution to unitholders				220,616
Distribution to unitholders				(1,011,968)
Loss for the year, after distribution to unitholders				(791,352)

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	<u>(867,580)</u>	<u>(95,000)</u>	<u>321,203</u>	<u>(641,377)</u>
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4. **SEGMENT INFORMATION** - continued

Segment revenue and results - continued

For the year ended 31 December 2022

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	<u>1,490,028</u>	<u>412,976</u>	<u>722,307</u>	<u>2,625,311</u>
Segment results				
- Net property income	<u>1,210,960</u>	<u>325,842</u>	<u>493,792</u>	<u>2,030,594</u>
Other income				26,410
Manager's fee				(246,414)
Trust and other expenses				(26,823)
Decrease in fair value of investment properties				(1,749,233)
Fair value changes on financial assets at fair value through profit or loss				(20,146)
Allowance for credit losses on notes receivables and interest receivables				(48,240)
Finance costs				(447,522)
Share of results of a joint venture				(42,508)
Loss before tax and distribution to unitholders				(523,882)
Income taxes				(225,442)
Loss for the year, before distribution to unitholders				(749,324)
Distribution to unitholders				(1,168,444)
Loss for the year, after distribution to unitholders				(1,917,768)
 Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Decrease in fair value of investment properties	<u>(929,005)</u>	<u>(133,000)</u>	<u>(687,228)</u>	<u>(1,749,233)</u>

4. SEGMENT INFORMATION - continued

Other segment information

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
<u>For the year ended 31 December 2023</u>				
Additions to non-current assets	<u>30,380</u>	<u>-</u>	<u>5,797</u>	<u>36,177</u>
<u>For the year ended 31 December 2022</u>				
Additions to non-current assets	<u>3,005</u>	<u>-</u>	<u>5,228</u>	<u>8,233</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 2023, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$38,104,800,000 (2022: HK\$38,942,000,000), HK\$8,719,000,000 (2022: HK\$8,814,000,000) and HK\$16,126,000,000 (2022: HK\$15,799,000,000), 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 (excluding interest in a joint venture) are all located in Hong Kong.

Information about major tenants

For the year ended 31 December 2023, there was one tenant (2022: one) whose revenue contributed over 10% of the total revenue of the Group.

5. RENTAL INCOME

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Property rental income	2,229,232	2,286,044
Car park income	50,141	43,598
	<u>2,279,373</u>	<u>2,329,642</u>

6. RENTAL RELATED INCOME

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Interest income from tenants	535	2,371
Promotional levy income	13,326	12,806
Sundry income	18,755	14,120
	<u>32,616</u>	<u>29,297</u>

7. PROPERTY OPERATING EXPENSES

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Allowance for credit losses on trade receivables	1,160	5,593
Building management expenses	350,165	341,062
Car park operating expenses	14,812	11,428
Government rent and rates	91,633	92,387
Legal cost and stamp duty	4,303	2,613
Other operating expenses	26,930	12,253
Promotion expenses	25,170	20,796
Property and lease management service fee	69,735	71,886
Property miscellaneous expenses	3,716	4,324
Rental commission	34,032	23,171
Repair and maintenance	8,277	9,204
	<u>629,933</u>	<u>594,717</u>

8. OTHER INCOME

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Bank interest income	36,358	10,746
Bond interest income	10,676	11,701
Dividend income	4,301	3,963
	<u>51,335</u>	<u>26,410</u>

9. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT (including the share of net property income arising from the property held by a joint venture) exceeds HK\$200 million for each of the six months ended 30 June 2023 and 31 December 2023, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2023 and 31 December 2023 as remuneration.

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Manager's fee:		
In the form of units	118,152	123,207
In the form of cash	118,153	123,207
	<u>236,305</u>	<u>246,414</u>

Based on the election results on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June 2023 and 31 December 2023 arising from the properties currently owned by Champion REIT in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% in the form of cash.

10. FINANCE COSTS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Finance costs represent:		
Interest expense on bank borrowings	477,412	189,810
Interest expense on medium term notes	135,756	249,955
Other borrowing costs	6,250	7,757
	<u>619,418</u>	<u>447,522</u>

11. PROFIT (LOSS) BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Profit (loss) before tax and distribution to unitholders has been arrived at after charging:		
Auditors' remuneration	2,338	2,700
Trustee's remuneration	8,267	8,459
Principal valuer's fee	239	268
Other professional fees and charges	3,647	4,611
Roadshow and public relations expenses	1,621	1,365
Bank charges	14,441	7,366
Exchange difference	4,717	9,447
Share of tax of a joint venture (included in the share of results of a joint venture)	1,833	12,395
	<u>1,833</u>	<u>12,395</u>

12. INCOME TAXES

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Hong Kong Profits Tax:		
Current tax		
- Current year	146,024	191,882
- Overprovision in prior years	(1,060)	(870)
	<u>144,964</u>	<u>191,012</u>
Deferred tax		
- Current year	43,469	34,430
	<u>43,469</u>	<u>34,430</u>
	<u>188,433</u>	<u>225,442</u>

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

13. BASIC EARNINGS (LOSS) PER UNIT

The calculation of the basic earnings (loss) per unit before distribution to unitholders is based on the profit for the year before distribution to unitholders of HK\$220,616,000 (2022: loss for the year before distribution to unitholders of HK\$749,324,000) with the weighted average number of units of 6,000,561,857 (2022: 5,962,669,579) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the years ended 31 December 2023 and 2022.

There were no dilutive potential units in issue during the years ended 31 December 2023 and 2022, therefore the diluted earnings (loss) per unit has not been presented.

14. INTERESTS IN A JOINT VENTURE

On 9 April 2021, the Group entered into a shareholders' agreement in relation to Athene Investment (BVI) Limited ("Athene Investment") with Wing Tai Properties Limited (being a connected person of the Group under 8.1(f) of the REIT Code) and other independent third parties. Athene Investment was established as a joint venture for the purpose of acquiring 100% of the entire share capital of HPREF Athene Investment S.à.r.l., a company incorporated and existing under the laws of Luxembourg and directly holds the leasehold interests in the property situated at 66 Shoe Lane, London EC4A 3BQ (formerly known as Athene Place). The Group owns 27% (2022: 27%) shareholding interest in Athene Investment.

The summarised financial information below represents amounts shown in Athene Investment's financial statements prepared in accordance with International Financial Reporting Standards.

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Net property income	86,994	84,655
Investment properties	<u>1,818,403</u>	<u>1,972,960</u>

15. TRADE AND OTHER RECEIVABLES

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Trade receivables	37,544	60,463
Less: Allowance for credit loss	<u>(6,162)</u>	<u>(6,487)</u>
	<u>31,382</u>	<u>53,976</u>
Deferred rent receivables	<u>76,139</u>	<u>93,453</u>
Deposits, prepayments and other receivables	88,744	89,526
Less: Allowance for credit loss	<u>(3,835)</u>	<u>(3,834)</u>
	<u>84,909</u>	<u>85,692</u>
	<u>192,430</u>	<u>233,121</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.

15. TRADE AND OTHER RECEIVABLES - continued

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
0 - 3 months	17,379	20,818
3 - 6 months	2,161	8,598
Over 6 months	11,842	24,560
	<u>31,382</u>	<u>53,976</u>

16. TRADE AND OTHER PAYABLES

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Trade payables	136,695	151,720
Rental received in advance	48,431	27,726
Other payables and accruals	266,891	279,591
Accrued stamp duty	963,475	963,475
	<u>1,415,492</u>	<u>1,422,512</u>

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
0 - 3 months	<u>136,695</u>	<u>151,720</u>

17. ISSUED UNITS

	<u>Number of units</u>	<u>HK\$'000</u>
Balance at 1 January 2022	5,937,079,598	24,846,924
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>36,595,992</u>	<u>127,754</u>
Balance at 31 December 2022	5,973,675,590	24,974,678
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>40,058,941</u>	<u>120,243</u>
Balance at 31 December 2023	<u>6,013,734,531</u>	<u>25,094,921</u>

17. ISSUED UNITS – continued

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</u> HK\$	<u>Number of units issued</u>	<u>Aggregate issue price</u> HK\$'000
In 2023				
13 March 2023	1.7.2022 to 31.12.2022	3.519	17,006,654	59,846
5 September 2023	1.1.2023 to 30.6.2023	2.620	23,052,287	60,397
			40,058,941	120,243
In 2022				
8 March 2022	1.7.2021 to 31.12.2021	3.582	17,976,943	64,393
5 September 2022	1.1.2022 to 30.6.2022	3.403	18,619,049	63,361
			36,595,992	127,754

18. 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 2023 of HK\$46,415,198,000 (2022: HK\$47,227,767,000) by the number of units in issue of 6,013,734,531 as at 31 December 2023 (2022: 5,973,675,590).

19. NET CURRENT LIABILITIES

At 31 December 2023, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$6,532,194,000 (2022 (restated): HK\$5,344,028,000).

20. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2023, the Group's total assets less current liabilities amounted to HK\$56,652,748,000 (2022 (restated): HK\$58,814,338,000).

21. CAPITAL COMMITMENT

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	11,330	46,274