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ChampionREIT

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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

2021 INTERIM 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.

INTERIM 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 six months ended 30 June 2021 (“**Period**”).

FINANCIAL HIGHLIGHTS

	6 Months Ended 30 Jun 2021	6 Months Ended 30 Jun 2020	Change
	HK\$ million	HK\$ million	
Total Rental Income ¹	1,260	1,342	- 6.2%
Net Property Operating Expenses ¹	122	148	- 17.2%
Net Property Income	1,137	1,194	- 4.8%
Distributable Income	790	804	- 1.8%
Distribution Amount	711	724	- 1.8%
Distribution per Unit (HK\$)	0.1200	0.1225	- 2.0%

	As at 30 Jun 2021	As at 31 Dec 2020	Change
	HK\$ million	HK\$ million	
Gross Value of Portfolio	65,509	67,318	- 2.7%
Net Asset Value per Unit (HK\$)	8.32	8.61	- 3.4%
Gearing Ratio	23.2%	23.0%	+ 0.2pp

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 operating environment of the Trust continued to be impacted by the COVID-19 pandemic in the first half of 2021. Although silver linings are beginning to emerge in the retail sector after the relaxation of social distancing measures, business activities have not recovered to pre-pandemic levels fully. Under such circumstances, the income of the Trust continued to be hampered. Distributable income dropped 1.8% to HK\$790 million (2020: HK\$804 million) and distribution per unit (“DPU”) fell by 2.0% to HK\$0.1200 (2020: HK\$0.1225).

Faced with the challenging market conditions posed by Covid-19, all the properties of the portfolio were affected negatively. Lackluster demand and market rents suppressed the rental income of the office portfolio. While business of some retailers have shown improvement and turnover rent have rebounded from the trough in 2020, the overall performance was significantly below the peak level in 2018. As a result, base rent declined, causing the overall rental income from Langham Place Mall to drop. Total rental income of the Trust decreased 6.2% to HK\$1,260 million (2020: HK\$1,342 million). Net property operating expenses decreased 17.2% to HK\$122 million (2020: HK\$148 million), mainly due to lower rental commission and lower net promotion expenses. Net property income slid by 4.8% to HK\$1,137 million (2020: HK\$1,194 million).

During the interim period, the Trust completed its first overseas acquisition of a 27.0% stake in 66 Shoe Lane, an office property with 157,658 sq. ft. in the City of London, boasting superb connectivity with the upcoming Crossrail network in London. Through a refurbishment project, the property was granted BREEAM “Excellent” rating. The valuation of the property accounted for around 1.1% of the enlarged portfolio as at 30 June 2021.

In June, the Trust secured the first HK\$3 billion sustainability-linked term and revolving credit facilities for refinancing and general corporate funding purposes. The sustainability-linked performance targets for the facilities are aligned with the Trust’s 2030 environmental, social and governance (“ESG”) plan. Following the refinancing of the secured bank loans amounting to HK\$3,450 million, all the outstanding debt facilities are unsecured in nature and the fixed-rate debt proportion was lowered to 62.1% as at 30 June 2021 compared to 81.0% as at 31 December 2020. Cash finance cost decreased to HK\$214 million (2020: HK\$220 million) mainly due to decrease in average HIBOR. The proactive treasury management of the Trust resulted in an increase in interest and dividend income to HK\$46 million (2020: HK\$21 million).

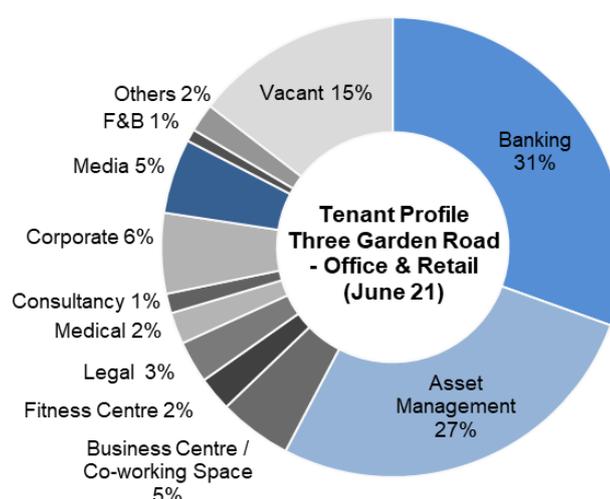
The appraised value of the Trust’s properties was HK\$65.5 billion as at 30 June 2021, lessening by 2.7% from HK\$67.3 billion as at 31 December 2020. The drop was driven by lower rental rate assumptions. Net asset value per unit decreased to HK\$8.32 compared with HK\$8.61 as at 31 December 2020. Gearing ratio increased to 23.2% as at 30 June 2021 from 23.0% as at 31 December 2020.

OPERATIONAL REVIEW

Three Garden Road

	6 Months Ended 30 Jun 2021	6 Months Ended 30 Jun 2020	Change
	HK\$'000	HK\$'000	
Rental Income	734,568	769,758	- 4.6%
Net Property Operating Expenses	69,644	82,314	- 15.4%
Net Property Income	664,924	687,444	- 3.3%

Uncertainties surrounding the pandemic have continued to overshadow the Central office market. With an increase in available office space and subdued demand, landlords have generally lowered their expectations for pricing levels, causing the market rental of Grade A offices to wane. Occupiers are still exploring their real estate strategies in a post-pandemic scenario, and thus remain cautious in making new moves. Nevertheless, a number of major multi-national financial institutions have indicated that they will not adopt a work-from-home arrangement permanently. This signals a return of demand for office space from the financial sector.



Under a depressed market environment with various travel restrictions imposed around the globe, prospective tenants continued to be prudent in their leasing strategies. The lead time for securing replacement tenants also tend to be longer compared to before the pandemic. Total rental income of Three Garden Road declined by 4.6%, mainly due to lower average occupancy. Most arrangements under negative rental reversion will take effect in the second half of the year. Office passing rents remained steady at HK\$111.1 per sq. ft. (based on lettable area) as at 30 June 2021 compared with HK\$110.4 per sq. ft. as at 31 December 2020. Office occupancy declined to 85.0% as at 30 June 2021 (31 December 2020: 86.8%).

Net property income decreased by 3.3% to HK\$665 million (2019: HK\$687 million). Net property operating expenses declined by HK\$13 million, mainly due to lower rental commission as a result of lower tenancy turnover.

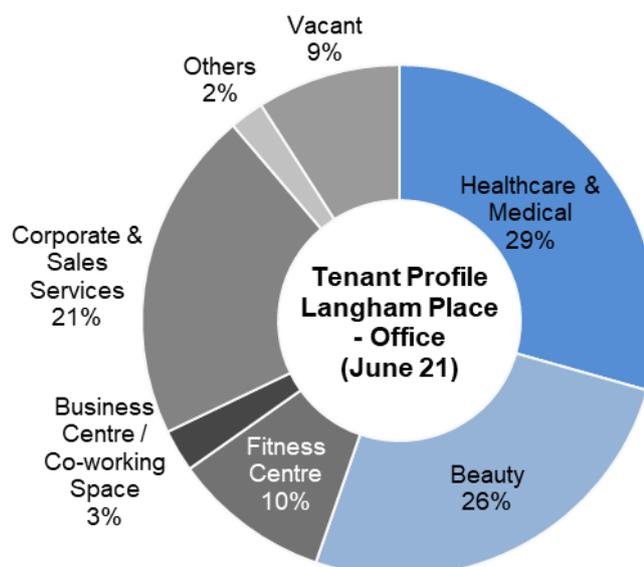
Langham Place Office Tower

	6 Months Ended 30 Jun 2021	6 Months Ended 30 Jun 2020	Change
	HK\$'000	HK\$'000	
Rental Income	178,157	194,045	- 8.2%
Net Property Operating Expenses	16,387	16,835	- 2.7%
Net Property Income	161,770	177,210	- 8.7%

Despite having social distancing measures in place, sentiments of some lifestyle tenants have improved gradually following the re-opening of their business operations. Both existing and new tenants in the beauty segment have shown their confidence in the post-pandemic outlook by expanding and establishing their presence in Langham Place Office. The proportion of lifestyle tenants further increased to 65.0% of the property.

Pent-up demand from lifestyle occupiers boosted occupancy of the property to 91.0% as at 30 June 2021 compared with 88.7% as at 31 December 2020. However, negative rental reversion and lower average occupancy pushed down rental income of the property by 8.2% to HK\$178 million (2020: HK\$194 million). Passing rents slid slightly to HK\$47.6 per sq. ft. (based on gross floor area) as at 30 June 2021 compared with HK\$47.7 per sq. ft. as at 31 December 2020.

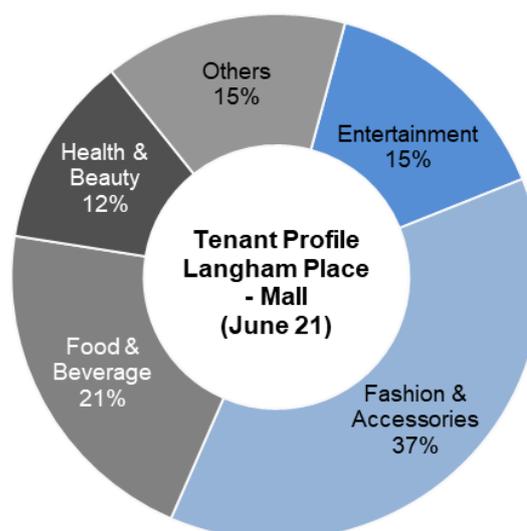
Net property operating expenses decreased by 2.7% to HK\$16 million (2020: HK\$17 million), mainly due to decrease in net promotion expenses. Net property income declined by 8.7% to HK\$162 million (2020: HK\$177 million).



Langham Place Mall

	6 Months Ended 30 Jun 2021	6 Months Ended 30 Jun 2020	Change
	HK\$'000	HK\$'000	
Rental Income	346,856	378,458	- 8.4%
Net Property Operating Expenses	36,420	48,779	- 25.3%
Net Property Income	310,436	329,679	- 5.8%

As Hong Kong has kept the COVID-19 outbreak mostly under control and put in place more accommodating social distancing measures, the retail market has bounced back considerably. The easing of the capacity and operation hours for food and beverage establishments have lured more local customers to dine out. Nevertheless, cross-border controls and quarantine requirements continued to curb tourist arrivals, dampening the retail business. The footfall of Langham Place Mall increased by 6.7% in the first six months of the year. Business performance of the tenants of the mall also recovered accordingly. But the growth fell short of the 8.4% increase of the overall Hong Kong retail sales largely due to an absence of tourists.



As the business environment began to turn around, only a handful of tenants requested rental concessions and lease restructuring. The total amount of amortised concessions was immaterial to the overall rental income of the mall. We continued to provide support to our tenants through offering discounted cash vouchers on the eSTORE platform, which was met with an encouraging response. A new mobile app and website was launched in April with a brand new image to attract new members to sign up for the mall's loyalty programme.

Despite the rebound in the retail business, the sales level was still significantly below its peak in 2018. Total rental income declined 8.4% to HK\$347 million (2020: HK\$378 million). The base rent portion decreased by 11.7% to HK\$306 million (2020: HK\$347 million) as a result of negative rental reversion and an increase in the number of tenants paying turnover rent only. Turnover rent portion increased to HK\$15 million (2020: HK\$9 million) but at a rate that is insufficient to offset the drop in base rent. The proportion of tenants paying turnover rent was 14.3% of area as at 30 June 2021. The average passing rents slipped to HK\$167.9 per sq. ft. (based on lettable area) as at 30 June 2021 (HK\$179.3 per sq. ft. as at 31 December 2020). The mall remained fully occupied as at 30 June 2021.

As the business environment for the retail industry picked up and tenants' sales recovered, net promotion expenses decreased by HK\$7 million. Total net property operating expenses decreased by 25.3% to HK\$36 million (2020: HK\$49 million). Net property income declined by 5.8% to HK\$310 million (2020: HK\$330 million).

Minority-owned properties

The acquisition of 27.0% stake in 66 Shoe Lane located in the City of London was completed on 9 April 2021. The investment is considered as Non-qualified Minority-owned Property under the Code on Real Estate Investment Trusts (“**REIT Code**”). The office portion was fully let while the retail portion was vacant as at 30 June 2021. The Trust’s share of net property income was HK\$6 million for the interim period.

OUTLOOK

The prospect of our business in the second half of the year largely depends on the awaited border reopening and easing of quarantine requirements in Hong Kong. The government’s Consumption Voucher Scheme is also expected to give a temporary boost to the retail sector.

Although leasing momentum has gathered steam for our office portfolio, there is no clear sign that market rentals have reached the bottom. Since the spot rents are below passing rents, negative rental reversion is expected to remain for the rest of the year. Multinationals are rethinking their leasing strategies for the post-Covid scenario. But Central, being at the core of Hong Kong’s financial centre, should remain a time-tested, preferred choice for prime office location. For Langham Place Office, the positioning as a lifestyle hub will be reinforced by the growing demand from beauty and healthcare operators. On the whole, the occupancy of both office properties is expected to improve as we stay focused on our vigorous leasing strategy.

In tandem with the government’s Consumption Voucher Scheme, we have launched a campaign to boost sales and footfall for Langham Place Mall. The turnover rent portion is expected to be bolstered by better sales performance of tenants in the second half of the year. However, the base rent portion would remain under pressure as an anchor tenant occupying 7.0% of the property area has left the mall; there will be a downtime before the commencement of replacement arrangements kick in.

After the amendments to the REIT Code in December 2020, REITs are allowed to invest in minority-owned properties, providing more flexibility in potential investments. We will continue to look for attractive acquisition opportunities with long-term potentials globally in a prudent manner.

While the operating environment is improving in the second half of the year, Sino-US tension and volatilities in financial markets could prolong the downward trend of market rents for our properties. The rental income and DPU of the Trust for 2021 is expected to remain under pressure. We will continue to optimise the performance of the Trust and remain dedicated to fulfilling our 2030 ESG goals for our unitholders and stakeholders despite the unprecedented global health crisis.

SUSTAINABILITY

More than a year into the COVID-19 pandemic, profound changes are unfolding in various aspects, ranging from people's daily routines and their work lives to the overall business environment. Nonetheless, we have been unrelenting in adapting to the new normal and growing our partnership with our tenants. Despite the detrimental conditions, we have responded swiftly by offering tenants with flexible leasing strategies, and keeping them engaged. To this end, we have rolled out a series of marketing and promotional initiatives to stimulate and capture spending of local consumers.

Established in 2019, we are on track with our 2030 ESG targets. Leveraging innovative solutions, we have made good progress in achieving the defined targets. In the first half of 2021, the Trust had secured its first sustainability-linked loan to reinforce our commitment to drive sustainability performance. We will continue to anticipate and address potential impacts of climate change on our business while staying committed to enhancing disclosure and transparency in our corporate governance.

We have proactively attended to the needs of our community members and stakeholders so as to help foster their well-being. In light of the overwhelming response of our Student Entrepreneur in Action Programme held last year, we launched a Student Filming Competition this year to support youth development. We will continue to invest in the young generation of Hong Kong by providing opportunities for them to unleash their potential. Given the awareness in health and wellness, we have curated various events for our employees and tenants, such as the Fair Trade hand-drip coffee workshops and express yoga workshops.

As part of our journey of sustainable value creation, we have strategically implemented risk management and resilience plans which are instrumental to the success of our business. On the upside, the pandemic has presented us with an opportunity to reflect on our purposes and values. Our approach to sustainable development not only focuses on riding out current challenges, but also stresses on our influencer role to inspire and empower our stakeholders to take action for a better future.

VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Cushman & Wakefield Limited on 28 July 2021, the valuation of the properties of Champion REIT, broken down by usage as at 30 June 2021 was:

	Three Garden Road	Langham Place	Sub-total
June 2021 Valuation	HK\$ million	HK\$ million	HK\$ million
Office	38,404	8,954	47,358
Retail	604	16,051	16,655
Car Park	592	325	917
Miscellaneous	394	185	579
Total	39,994	25,515	65,509

As at 30 June 2021, the appraised value of the Trust's property portfolio was HK\$65.5 billion, down by 2.7% from HK\$67.3 billion as at 31 December 2020. The decrease was mainly due to lower rental assumptions for all the properties. 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 Distribution Amount of Champion REIT for the six months ended 30 June 2021 was HK\$711 million (2020: HK\$724 million), calculated as 90% of Champion REIT's total available distributable income of HK\$790 million (2020: HK\$804 million).

The distribution per unit for the six months ended 30 June 2021 ("**Interim Distribution per Unit**") was HK\$0.1200. This represents an annualised distribution yield of 5.8% based on the closing price of HK\$4.37 as at 30 June 2021. Such distribution per unit, however, is subject to adjustment that may result from the issuance of any new units between 1 July 2021 and the record date. A further announcement will be made to unitholders informing them of any adjustment to the Interim Distribution per Unit.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 14 September 2021 to Friday, 17 September 2021 ("**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 30 June 2021 will be made on Tuesday, 5 October 2021 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 30 June 2021, 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 September 2021.

PROACTIVE LIABILITY MANAGEMENT

Committed Debt Facilities ⁽¹⁾

As at 30 June 2021

(HK\$ million)

	Fixed rate debt ⁽²⁾	Floating rate debt	Total debt	Undrawn committed facilities	Total debt and undrawn committed facilities
HK\$ denominated					
Unsecured bank loans	2,900	5,405	8,305	3,095	11,400
Medium Term Notes	1,700	643	2,343	-	2,343
	4,600	6,048	10,648	3,095	13,743
US\$ denominated⁽³⁾					
Medium Term Notes	5,327	-	5,327	-	5,327
	5,327	-	5,327	-	5,327
Total	9,927	6,048	15,975	3,095	19,070

(1) All amounts are stated at face value

(2) After accounting for interest rate swaps

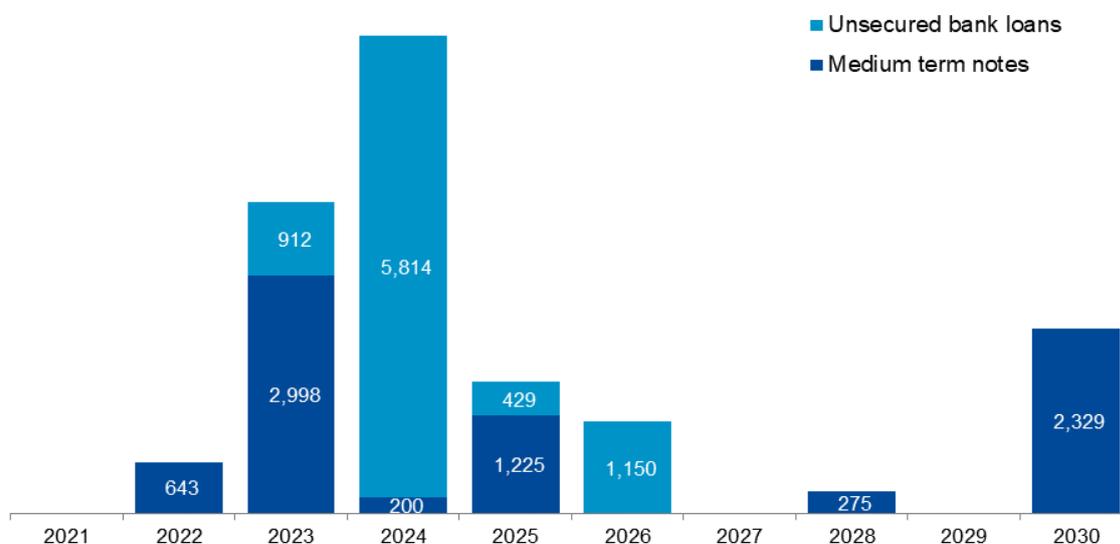
(3) Including notes with outstanding principal amount of US\$446.4 million, fully hedged at an average rate of HK\$7.7597 to US\$1.00

During the reporting period, the Trust signed its first five-year HK\$3 billion unsecured sustainability-linked term and revolving credit facilities (the “**ESG-loan**”). The proceeds drawn from the ESG-loan, together with the financial resources available to the Trust, were used to fully refinance the secured loan with an outstanding amount of HK\$3,450 million in June 2021. As at 30 June 2021, total debt outstanding of the Trust was HK\$16 billion (31 December 2020: HK\$16.5 billion) and wholly on an unsecured basis which greatly enhanced the financial flexibility of the Trust. As certain interest rate swaps expired in June 2021, the fixed-rate debt proportion of the Trust was 62.1% at the end of the reporting period (31 December 2020: 81.0%). The average effective interest rate - after accounting for interest rate swaps and cross currency swaps - was 2.5% during the first half of 2021 (2020: 2.7%). The average life of the Trust’s outstanding debt was 3.8 years as at 30 June 2021 (31 December 2020: 3.5 years).

Outstanding debt maturity profile⁽¹⁾

As at 30 June 2021

(HK\$ million)



(1) Based on the final maturity dates of the respective facility agreements.

The Trust's investment properties as at 30 June 2021 were appraised at a total value of HK\$65.5 billion, representing a 2.7% decrease from HK\$67.3 billion as at 31 December 2020. The Trust's gearing ratio (or total borrowings as a percentage of gross assets) as at 30 June 2021 was 23.2% (31 December 2020: 23.0%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 28.4% (31 December 2020: 29.1%).

STRENGTHENED LIQUIDITY POSITION

As at 30 June 2021, the Trust had committed debt facilities of HK\$3,095 million undrawn. Together with cash and deposits of HK\$561 million (including HK\$174 million denominated in US\$), the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

On treasury management, to enhance returns to our Unitholders, the Trust held bonds and listed equities with an aggregate carrying amount of HK\$1,864 million (31 December 2020: HK\$2,145 million) and HK\$180 million (31 December 2020: HK\$78 million) respectively as at 30 June 2021. The Trust intends to hold the bonds to maturity.

NET ASSET VALUE PER UNIT

The Net Asset Value per Unit as at 30 June 2021 was HK\$8.32 (31 December 2020: HK\$8.61). It represented a 90.4% premium to the closing unit price of HK\$4.37 as at 30 June 2021.

COMMITMENTS

As at 30 June 2021, the Trust had authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the condensed consolidated financial statements amounting to HK\$45 million.

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

NEW UNITS ISSUED

On 5 March 2021, 15,309,022 new Units were issued to the REIT Manager at the price of HK\$4.518 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$69 million for the second half of 2020.

Except for the above, no new Units were issued during the Period. As at 30 June 2021, the total number of issued Units of Champion REIT was 5,921,451,723.

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 Period. Nevertheless, on 9 April 2021, Champion REIT acquired 27% shareholding interest in a joint venture which held 100% of the entire share capital of HPREF Athene Investment S.a.r.l., a company incorporated under the laws of Luxembourg and directly holds the leasehold interests in an office property situated at 66 Shoe Lane, London. Details of the transaction have been announced by Champion REIT on 28 February 2021 and 9 April 2021 respectively.

RELEVANT INVESTMENTS

The full investment portfolio of the Relevant Investments (as defined in the Trust Deed) of Champion REIT as at 31 July 2021 is set out below:

As at 31 July 2021	Type	Primary Listing	Country of Issuer	Currency	Total Cost (HK\$ '000)	Mark-to-market Value (HK\$ '000)	Weighting of GAV	Credit Rating (S&P's/ Moody's/Fitch's)
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797	9,631	0.0136%	BBB- / Baa3 / -
NANFUN 4 ½ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,602	57,342	0.0808%	BBB- / Baa3 / -
HKTGHD 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641	51,106	0.0720%	BBB / Baa2 / -
CAPG 6.35 02/08/24	Bond	Singapore Exchange	Cayman Islands	USD	38,747	35,191	0.0496%	B / B2 / BB
MOLAND 11 ½ 11/13/22	Bond	Singapore Exchange	Cayman Islands	USD	3,809	3,470	0.0049%	- / B3 / B
GRNCH 5.65 07/13/25	Bond	Hong Kong Exchange	Cayman Islands	USD	9,300	9,618	0.0136%	- / Ba3 / -
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	77,488	79,540	0.1121%	BB- / - / BB
CAPG 4.2 01/20/22	Bond	Singapore Exchange	Cayman Islands	USD	29,945	29,361	0.0414%	- / - / -
ZHPRHK 5.95 11/18/21	Bond	Hong Kong Exchange	Cayman Islands	USD	38,772	38,774	0.0547%	- / - / -
CAPG 4 ¾ 09/01/21	Bond	Unlisted	Cayman Islands	USD	232,509	233,130	0.3286%	- / - / -
AGILE 4 ¾ 11/01/21	Bond	Unlisted	Cayman Islands	USD	542,521	548,594	0.7733%	- / - / -
KWGPRO 4 ¾ 12/29/21	Bond	Unlisted	Cayman Islands	USD	775,350	774,225	1.0914%	- / - / -
EC Healthcare (Stock Code: 2138.HK)	Equity	Hong Kong Exchange	Cayman Islands	HKD	51,810	148,113	0.2088%	N/A
Total					1,916,291	2,018,094	2.8448%	

- 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.

During the Period, the REIT Manager and Champion REIT have 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 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 Period. Key components of the governance framework and the corporate governance report for the Period will be set out in the forthcoming Interim 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 20 May 2021. During the Period, 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 INTERIM RESULTS

The unaudited interim results for the Period were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager, and by the Trust’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

ISSUANCE OF INTERIM REPORT

The Interim Report of Champion REIT for the Period will be despatched to Unitholders and published on the websites of HKEXnews (www.hkexnews.hk) and Champion REIT (www.ChampionReit.com) at the beginning of September 2021.

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 Wong Ka Ki, Ada (*Chief Executive Officer*) and four Independent Non-executive Directors, namely Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan, 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, 10 August 2021

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<u>NOTES</u>	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Rental income	5	1,245,920	1,329,479
Building management fee income		137,739	145,579
Rental related income		13,661	12,782
Total revenue		1,397,320	1,487,840
Property operating expenses	6	(260,190)	(293,507)
Net property income		1,137,130	1,194,333
Other income	7	45,940	21,195
Manager's fee	8	(137,213)	(143,320)
Trust and other expenses		(16,020)	(17,261)
Decrease in fair value of investment properties		(1,809,000)	(9,172,565)
Fair value changes on financial assets at fair value through profit or loss		-	(1,939)
Finance costs	9	(229,873)	(231,993)
Share of results of a joint venture		25,790	-
Loss before tax and distribution to unitholders	10	(983,246)	(8,351,550)
Income taxes	11	(131,918)	(140,253)
Loss for the period, before distribution to unitholders		(1,115,164)	(8,491,803)
Distribution to unitholders	13	(710,821)	(723,665)
Loss for the period, after distribution to unitholders		(1,825,985)	(9,215,468)
Basic loss per unit	14	HK\$(0.19)	HK\$(1.44)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Loss for the period, after distribution to unitholders	<u>(1,825,985)</u>	<u>(9,215,468)</u>
Other comprehensive income (expense):		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income	102,173	-
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(212)	-
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	6,122	(131,125)
Reclassification of fair value adjustments to profit or loss	<u>36,509</u>	<u>9,730</u>
	<u>144,592</u>	<u>(121,395)</u>
Total comprehensive expense for the period	<u>(1,681,393)</u>	<u>(9,336,863)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	<u>NOTES</u>	At 30 June <u>2021</u> HK\$'000 (unaudited)	At 31 December <u>2020</u> HK\$'000 (audited)
Non-current assets			
Investment properties		65,509,000	67,318,000
Notes receivables		242,571	242,524
Interests in a joint venture	15	323,194	-
Equity instruments at fair value through other comprehensive income		180,123	77,950
Derivative financial instruments		2,496	-
Total non-current assets		<u>66,257,384</u>	<u>67,638,474</u>
Current assets			
Trade and other receivables	16	318,532	316,785
Notes receivables		1,621,341	1,902,200
Tax recoverable		-	2,194
Short-term bank deposits		-	191,485
Cash and cash equivalents		561,284	1,642,094
Total current assets		<u>2,501,157</u>	<u>4,054,758</u>
Total assets		<u>68,758,541</u>	<u>71,693,232</u>
Current liabilities			
Trade and other payables	17	1,336,120	2,115,122
Deposits received		749,397	741,215
Derivative financial instruments		-	23,704
Tax liabilities		85,697	46,650
Distribution payable		710,821	752,780
Bank borrowings		1,987,106	3,441,549
Medium term notes		643,000	-
Total current liabilities		<u>5,512,141</u>	<u>7,121,020</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments		77,486	99,583
Bank borrowings		6,249,435	5,347,376
Medium term notes		6,977,371	7,608,548
Deferred tax liabilities		696,737	659,107
Total non-current liabilities, excluding net assets attributable to unitholders		<u>14,001,029</u>	<u>13,714,614</u>
Total liabilities, excluding net assets attributable to unitholders		<u>19,513,170</u>	<u>20,835,634</u>
Net assets attributable to unitholders		<u>49,245,371</u>	<u>50,857,598</u>
Number of units in issue ('000)	18	<u>5,921,452</u>	<u>5,906,143</u>
Net asset value per unit	19	<u>HK\$8.32</u>	<u>HK\$8.61</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL

Champion Real Estate Investment Trust ("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. 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") 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 condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of Champion REIT.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants and the relevant disclosure requirements set out in Appendix C of the REIT Code.

At 30 June 2021, the Group's current liabilities exceeded its current assets by HK\$3,010,984,000. The Manager is of the opinion that, taking into account the internal financial resources and presently availability banking facilities of the Group, the Group has sufficient working capital for its present requirement at least one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRS") and application of certain accounting policies which become relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed and presented in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19 – Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Manager, for the purpose of resource allocation and performance assessment are 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 period under review.

4. **SEGMENT INFORMATION** - continued

For the six months ended 30 June 2021

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	<u>Consolidated</u> HK\$'000 (unaudited)
Segment revenue	<u>808,739</u>	<u>202,333</u>	<u>386,248</u>	<u>1,397,320</u>
Segment results - Net property income	<u>664,924</u>	<u>161,770</u>	<u>310,436</u>	<u>1,137,130</u>
Other income				45,940
Manager's fee				(137,213)
Trust and other expenses				(16,020)
Decrease in fair value of investment properties				(1,809,000)
Finance costs				(229,873)
Share of results of a joint venture				25,790
Loss before tax and distribution to unitholders				<u>(983,246)</u>
Income taxes				(131,918)
Loss for the period, before distribution to unitholders				<u>(1,115,164)</u>
Distribution to unitholders				(710,821)
Loss for the period, after distribution to unitholders				<u>(1,825,985)</u>
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>(1,138,000)</u>	<u>(101,000)</u>	<u>(570,000)</u>	<u>(1,809,000)</u>

4. SEGMENT INFORMATION - continued

Segment revenue and results - continued

For the six months ended 30 June 2020

	Three Garden Road HK\$'000 (unaudited)	Langham Place Office Tower HK\$'000 (unaudited)	Langham Place Mall HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	847,548	220,421	419,871	1,487,840
Segment results - Net property income	687,444	177,210	329,679	1,194,333
Other income				21,195
Manager's fee				(143,320)
Trust and other expenses				(17,261)
Decrease in fair value of investment properties				(9,172,565)
Fair value changes on financial assets at fair value through profit or loss				(1,939)
Finance costs				(231,993)
Loss before tax and distribution to unitholders				(8,351,550)
Income taxes				(140,253)
Loss for the period, before distribution to unitholders				(8,491,803)
Distribution to unitholders				(723,665)
Loss for the period, after distribution to unitholders				(9,215,468)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Decrease in fair value of investment properties	(4,662,220)	(852,000)	(3,658,345)	(9,172,565)

Other segment information

Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. As at 30 June 2021, the fair values of Three Garden Road, Langham Place Office Tower and Langham Place Mall were HK\$39,994,000,000 (31 December 2020: HK\$41,132,000,000), HK\$8,954,000,000 (31 December 2020: HK\$9,055,000,000) and HK\$16,561,000,000 (31 December 2020: HK\$17,131,000,000), respectively.

Save as abovementioned, no other assets and liabilities are regularly reviewed by the CODM.

Information about major tenants

There was a tenant whose revenue contributed over 10% of the total revenue of the Group for the six months ended 30 June 2021 (30 June 2020: one).

5. RENTAL INCOME

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Property rental income	1,223,719	1,308,677
Car park income	<u>22,201</u>	<u>20,802</u>
Rental income	<u>1,245,920</u>	<u>1,329,479</u>

6. PROPERTY OPERATING EXPENSES

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Allowance for credit loss	-	694
Building management expenses	151,635	156,745
Car park operating expenses	5,278	5,329
Government rent and rates	47,749	50,586
Legal cost and stamp duty	609	1,836
Promotion expenses	5,225	15,754
Property and lease management service fee	37,793	38,999
Property miscellaneous expenses	2,012	1,747
Rental commission	7,278	21,317
Repairs and maintenance	<u>2,611</u>	<u>500</u>
	<u>260,190</u>	<u>293,507</u>

7. OTHER INCOME

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Bank interest income	1,067	17,248
Bond interest income	44,486	3,947
Dividend income	<u>387</u>	<u>-</u>
	<u>45,940</u>	<u>21,195</u>

8. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for the six months ended 30 June 2021 and 2020, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2021 and 2020 as remuneration.

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Manager's fee:		
In the form of units	68,606	71,660
In the form of cash	<u>68,607</u>	<u>71,660</u>
	<u>137,213</u>	<u>143,320</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 2021 and 2020 arising from the properties currently owned by Champion REIT (including minority-owned property) 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>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Finance costs represent:		
Interest expense on bank borrowings	98,975	128,303
Interest expense on medium term notes	127,746	102,963
Other borrowing costs	<u>3,152</u>	<u>727</u>
	<u>229,873</u>	<u>231,993</u>

10. LOSS BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Loss before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditor's remuneration	1,269	1,226
Trustee's fee	5,810	6,686
Principal valuer's fee	120	72
Other professional fee and charges	7,815	7,425
Roadshow and public relations expenses	542	488
Bank charges	306	164
Exchange difference	<u>(91)</u>	<u>1,146</u>

11. INCOME TAXES

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
- Current year	94,288	102,976
Deferred tax		
- Current year	<u>37,630</u>	<u>37,277</u>
	<u>131,918</u>	<u>140,253</u>

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

12. TOTAL DISTRIBUTABLE INCOME

Total distributable income is the loss for the period, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as defined and set out in the Trust Deed) which have been recorded in the condensed consolidated income statement for the relevant period. The Adjustments to arrive at total distributable income for the period are set out below:

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Loss for the period, before distribution to unitholders	(1,115,164)	(8,491,803)
Adjustments:		
Manager's fees payable in units	68,606	71,660
Decrease in fair value of investment properties	1,809,000	9,172,565
Fair value changes on financial assets at fair value through profit or loss	-	1,939
Share of results of a joint venture	(25,790)	-
Non-cash finance costs	15,519	12,434
Deferred tax	<u>37,630</u>	<u>37,277</u>
Total distributable income	<u>789,801</u>	<u>804,072</u>

13. DISTRIBUTION STATEMENT

	<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Total distributable income (note 12)	789,801	804,072
Percentage of distributable income for distribution (note (i))	<u>90%</u>	<u>90%</u>
Total distribution amount to be paid	<u>710,821</u>	<u>723,665</u>
Distribution per unit to unitholders (note (ii))	<u>HK\$0.1200</u>	<u>HK\$0.1225</u>

Notes:

- (i) It is the policy of the Manager to distribute 90% (six months ended 30 June 2020: 90%) of available distributable income as the distributions for the six months ended 30 June 2021 (the "Interim Distribution Period").
- (ii) The interim distribution per unit of HK\$0.1200 for the six months ended 30 June 2021 is calculated based on the interim distribution to be paid of HK\$710,821,000 for the period and 5,921,451,723 units in issue as at 30 June 2021. Such interim distribution will be subject to further adjustments upon the issuance of units on or before 17 September 2021, which is the record date set for such period. The interim distribution will be paid to unitholders on 5 October 2021.

The interim distribution per unit of HK\$0.1225 for the six months ended 30 June 2020 was calculated based on the interim distribution paid of HK\$723,665,000 for the period and 5,906,142,701 units as of 25 September 2020, which was the record date for the period. The interim distribution was paid to unitholders on 9 October 2020.

14. BASIC LOSS PER UNIT

The basic loss per unit during the six months ended 30 June 2021 is calculated by dividing the loss for the period before distribution to unitholders of HK\$1,115,164,000 (2020: HK\$8,491,803,000) with the weighted average number of units of 5,923,972,867 (2020: 5,892,170,575) in issue during the period, taking into account the units issuable as manager's fee for its service for each of the six months ended 30 June 2021 and 2020.

There were no diluted potential units in issue during the six months ended 30 June 2021 and 2020, therefore the diluted loss per unit has not been presented.

15. INTERESTS IN A JOINT VENTURE

The Group's interest in a joint venture amounting to HK\$323,194,000 as at 30 June 2021 are accounted for using the equity method in the condensed consolidated financial statements.

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% shareholding interest in Athene Investment.

Material information regarding the joint venture are as follows:

	At 30 June <u>2021</u> HK\$'000 (unaudited)	At 31 December <u>2020</u> HK\$'000 (audited)
The Group's share of net property income	6,310	-
The Group's share of investment properties carried at fair value	<u>712,766</u>	<u>-</u>

16. TRADE AND OTHER RECEIVABLES

	At 30 June <u>2021</u> HK\$'000 (unaudited)	At 31 December <u>2020</u> HK\$'000 (audited)
Trade receivables	53,396	60,405
Less: Allowance for credit loss	<u>(307)</u>	<u>(1,001)</u>
	53,089	59,404
Deferred lease receivables	158,920	165,605
Deposits, prepayments and other receivables	<u>106,523</u>	<u>91,776</u>
	<u>318,532</u>	<u>316,785</u>

16. 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:

	At 30 June <u>2021</u> HK\$'000 (unaudited)	At 31 December <u>2020</u> HK\$'000 (audited)
0 - 3 months	6,616	30,777
3 - 6 months	11,333	16,670
Over 6 months	35,140	11,957
	<u>53,089</u>	<u>59,404</u>

17. TRADE AND OTHER PAYABLES

	At 30 June <u>2021</u> HK\$'000 (unaudited)	At 31 December <u>2020</u> HK\$'000 (audited)
Trade payables	67,021	68,262
Rental received in advance	40,804	33,420
Other payables and accruals (note)	264,820	1,049,965
Accrued stamp duty	963,475	963,475
	<u>1,336,120</u>	<u>2,115,122</u>

Note: As at 30 June 2021, manager's fee payable of HK\$137,213,000 is included in other payables and accruals. As at 31 December 2020, manager's fee payable of HK\$138,332,000 and a consideration payable of HK\$775,350,000 in relation to notes receivable acquired in December 2020 were included in other payables and accruals.

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

	At 30 June <u>2021</u> HK\$'000 (unaudited)	At 31 December <u>2020</u> HK\$'000 (audited)
0 - 3 months	<u>67,021</u>	<u>68,262</u>

18. NUMBER OF UNITS IN ISSUE

	<u>Number of units</u>	<u>Amount</u> <u>HK\$'000</u>
As at 1 January 2020 (audited)	5,872,789,311	24,564,410
Units issued for settlement of Manager's fee	<u>33,353,390</u>	<u>144,741</u>
As at 31 December 2020 (audited)	5,906,142,701	24,709,151
Units issued for settlement of Manager's fee	<u>15,309,022</u>	<u>69,166</u>
As at 30 June 2021 (unaudited)	<u>5,921,451,723</u>	<u>24,778,317</u>

On 5 March 2020, 15,309,022 units at HK\$4.518 per unit were issued to the Manager as settlement of Manager's fee for the period from 1 July 2020 to 31 December 2020.

19. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2021 of HK\$49,245,371,000 (31 December 2020: HK\$50,857,598,000) by the number of units in issue of 5,921,451,723 units as at 30 June 2021 (31 December 2020: 5,906,142,701 units).

20. NET CURRENT LIABILITIES

At 30 June 2021, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$3,010,984,000 (31 December 2020: HK\$3,066,262,000).

21. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2021, the Group's total assets less current liabilities amounted to HK\$63,246,400,000 (31 December 2020: HK\$64,572,212,000).

22. CAPITAL COMMITMENT

	At 30 June <u>2021</u> HK\$'000 (unaudited)	At 31 December <u>2020</u> HK\$'000 (audited)
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the condensed consolidated financial statements	<u>45,083</u>	<u>45,083</u>