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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

## **2020 FINAL RESULTS ANNOUNCEMENT**

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

## FINAL RESULTS

The board of directors (“**Board**”) of Eagle Asset Management (CP) Limited (“**REIT Manager**”) as manager of Champion Real Estate Investment Trust (“**Champion REIT**” or “**Trust**”) is pleased to announce financial results of the Trust for the year ended 31 December 2020 (“**Year**” or “**Period**”).

## FINANCIAL HIGHLIGHTS

*For the year ended 31 December 2020*

	2020	2019	Change
<b>For the entire year</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	
Total Rental Income <sup>1</sup>	2,633	2,778	- 5.2%
Net Property Operating Expenses <sup>1</sup>	286	298	- 3.8%
Net Property Income	2,347	2,481	- 5.4%
Distributable Income	1,554	1,648	- 5.7%
Distribution Amount	1,476	1,566	- 5.7%
Distribution per Unit (HK\$)	0.2500	0.2662	- 6.1%

	2020	2019	Change
<b>As at 31 December</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	
Gross Value of Portfolio	67,318	81,178	- 17.1%
Net Asset Value per Unit (HK\$)	8.61	11.04	- 22.0%
Gearing Ratio	23.0%	18.0%	+ 5.0pp
Net Expense Ratio (entire year)	10.9%	10.7%	+ 0.2pp
Payout Ratio (entire year)	95.0%	95.0%	No change

<sup>1</sup> *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 unprecedented and protracted COVID-19 pandemic had put our business as well as that of our tenants in a precarious situation. The ongoing Sino-US tensions also added uncertainties to the market. While the containment measures introduced by the government including social distancing measures and border controls have adversely impacted the retail sector in Hong Kong, the office market was also dampened by the economic slowdown and a shift to working from home. In adapting to the new normal, we have reacted promptly by utilising technology to facilitate day-to-day operations. Against the backdrop of a global economic downturn, distributable income of the Trust declined 5.7% to HK\$1,554 million (2019: HK\$1,648 million) and distribution per unit (“**DPU**”) dropped 6.1% to HK\$0.2500 (2019: HK\$0.2662).

With the multiple waves of COVID-19 in Hong Kong and the poor retail market sentiment, retail sales of Langham Place Mall’s tenants fell significantly, dragging down the rental income of the mall. While the rental income of the office portfolio was relatively stable, it was insufficient to compensate for the weak performance of Langham Place Mall. Total rental income of the Trust dropped 5.2% to HK\$2,633 million (2019: HK\$2,778 million). Net property operating expenses decreased 3.8% to HK\$286 million (2019: HK\$298 million) mainly due to lower rental commission. Net property income decreased by 5.4% to HK\$2,347 million (2019: HK\$2,481 million).

The Trust continued to take a proactive approach in liability management to weather market uncertainties. Taking advantage of the historically low interest rates, the Trust issued US\$300 million 10-year medium term notes (“**MTN**”) and entered into several credit facilities for a total of HK\$2.3 billion to enhance financial flexibility. Proceeds from the MTN issuance and credit facilities were sufficient for the refinancing of banking facilities due in 2021. For treasury management, the Trust utilised idle cash in bond investments for yield enhancement. Following the MTN’s issuance and additional interest rate swaps, the fixed rate debt portion of the Trust increased to 81.0% from 64.2% at the end of 2019. Cash finance cost decreased to HK\$445 million (2019: HK\$452 million) mainly due to lower average HIBOR.

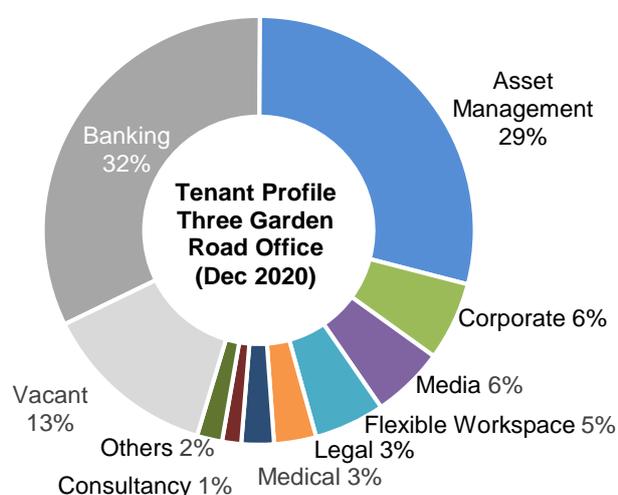
The sluggish market environment also negatively affected the valuation of the properties portfolio. The appraised value of the Trust’s properties was HK\$67.3 billion as at 31 December 2020, 17.1% lower than HK\$81.2 billion as at 31 December 2019. The decline was mainly attributable to lower rental rate assumptions and marginal expansion of capitalisation rates. Net asset value per unit decreased to HK\$8.61 as at 31 December 2020 (2019: HK\$11.04). Gearing ratio increased to 23.0% as at 31 December 2020 from 18.0% as at 31 December 2019.

## OPERATIONAL REVIEW

### Three Garden Road

	2020	2019	Change
	HK\$'000	HK\$'000	
Rental Income	1,518,047	1,511,663	+ 0.4%
Net Property Operating Expenses	148,833	137,119	+ 8.5%
Net Property Income	1,369,214	1,374,544	- 0.4%

The Grade A office market in Central was shrouded in uncertainties in 2020. On-site inspection activities were limited owing to social distancing practices. Occupiers were generally cost-cautious, taking a prudent approach in their corporate real estate planning. Diminished office leasing activities were observed due to downsizing and cost-cutting efforts. Remote working also prompts occupiers to reconsider their real estate strategies, putting leasing decisions on hold. The overall vacancy level of the Grade A offices in Central as well as that of Three Garden Road edged up under the cautious market sentiment. Occupancy of the property fell to 86.8% as at 31 December 2020 from 93.0% as at 31 December 2019.



Despite the lower average occupancy, rental income of Three Garden Road maintained at the stable level of HK\$1,518 million (2019: HK\$1,512 million). The previous gap between the average passing rent of the property and the market rent provided us sufficient buffer to achieve a mild positive rental reversion amid the battered market environment. Average passing rent increased to HK\$110.4 per sq. ft. (based on lettable area) as at 31 December 2020 (2019: HK\$107.8 per sq. ft.).

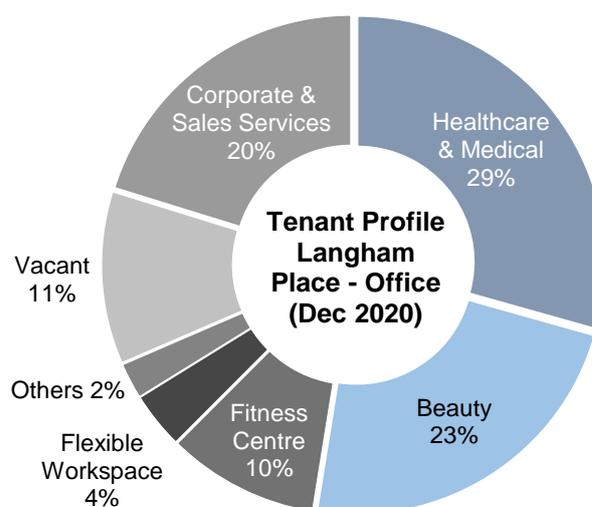
Net property income declined slightly by 0.4% to HK\$1,369 million (2019: HK\$1,375 million), owing to the increase of 8.5% in net property operating expenses. The net building management expenses increased HK\$7 million pushed up by higher vacancy, while the government rent and rates also rose HK\$18 million. Although the rental commission decreased HK\$12 million which helped to offset the costs, the net property operating expenses climbed by 8.5% to HK\$149 million (2019: HK\$137 million) on the whole.

## Langham Place Office Tower

	2020	2019	Change
	HK\$'000	HK\$'000	
Rental Income	377,604	375,067	+ 0.7%
Net Property Operating Expenses	31,513	33,332	- 5.5%
Net Property Income	346,091	341,735	+ 1.3%

The various social distancing measures brought in place in 2020 led to the suspension of business of our lifestyle tenants, including a fitness centre and beauty centres for a total of over three months. As at 31 December 2020, lifestyle tenants accounted for 62% of the property. Their business performances were inevitably impacted as a result.

To reduce the short-term liquidity and business interruptions of the tenants, we have worked closely with the tenants to address their concerns. We purchased vouchers from lifestyle tenants and resold at discounted price to our customers in order to boost sales for their business. For our anchor tenant Union Medical Healthcare Limited (“UMH”, stock code: 2138), we arranged an innovative rental settlement under which we received listed shares of UMH in lieu of cash for a total of 8-month rental payment.



Since Langham Place Office Tower’s passing rent is higher than those of the surrounding traditional offices, a key office tenant left, causing the occupancy rate to slip to 88.7%. However, the testing business environment for the lifestyle segment did not stop existing tenants from capitalising on the market downturn to expand their business.

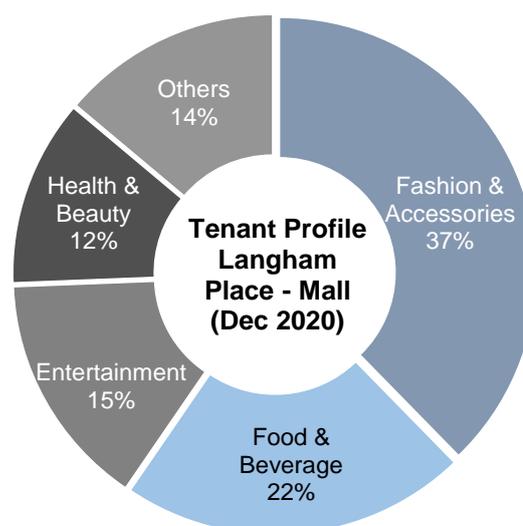
Despite the challenging business environment, total rental income of Langham Place Office remained stable at HK\$378 million in 2020 (2019: HK\$375 million). While market rents have been softening, passing rent of the property slightly increased to HK\$47.7 per sq. ft. (based on gross floor area) as at 31 December 2020 (2019: HK\$46.5 per sq. ft) as the rental level of the departed tenants was lower than the passing rent.

Net property operating expenses lowered to HK\$32 million (2019: HK\$33 million). The higher net building management expenses were offset by lower rental commission, and repairs and maintenance expenses. Net property income improved slightly to HK\$346 million (2019: HK\$342 million).

## Langham Place Mall

	2020	2019	Change
	HK\$'000	HK\$'000	
Rental Income	737,606	891,412	- 17.3%
Net Property Operating Expenses	105,808	127,049	- 16.7%
Net Property Income	631,798	764,363	- 17.3%

Of the Trust's portfolio, Langham Place Mall was the most adversely impacted property in 2020. The various social distancing measures imposed by the government, including capacity restrictions and limitation of operation hours of food and beverage establishments, as well as border controls and quarantine requirements, have kept tourists and shoppers away. Although the intermittent relaxation of measures during various waves of the local outbreaks provided some temporary relief, the overall footfall of the mall decreased significantly. Hong Kong retail sales plunged 24.3% year on year, while the sales of the mall's tenants saw a greater drop than the market average mainly due to an absence of tourists.



The operating environment was extremely shaky for the Hong Kong retail market in 2020. Almost all the tenants of the mall requested rental concessions and lease restructuring. In the first half, we offered rental concessions after deliberate evaluations of the requests. The amount of the amortised concessions recognised in 2020 did not materially impact the rental income of the mall. As Hong Kong was hit by recurring outbreaks, the mall stepped up to offer discounted cash vouchers through an online e-shop platform for over 80 mall and office tenants in a bid to drive sales.

Given the significant drop in tenants sales, total rental income of the mall recorded a 17.3% decline to HK\$738 million (2019: HK\$891 million), the biggest decrease since the opening of the mall. We have strived to keep up the occupancy level amid the challenging environment, and the mall remained fully occupied as at 31 December 2020. The volatile operating environment has resulted in an increase in the number of short-term leases and lease restructuring. The proportion of tenants paying turnover rent only increased to 14.9% of area as at 31 December 2020 (6.9% as at 30 June 2020). The substantial decline in sales drove down turnover rent portion to HK\$19 million (2019: HK\$114 million). The average passing rents dropped to HK\$179.3 per sq. ft. (based on lettable area) as at 31 December 2020 (2019: HK\$209.5 per sq. ft.).

Although spending in promotions to shore up sales and footfall of the mall increased by HK\$3 million, net property operating expenses decreased by 16.7% to HK\$106 million (2019: HK\$127 million) mainly due to lower net building management expenses and rental commission. Net property income fell 17.3% to HK\$632 million (2019: HK\$764 million).

## OUTLOOK

We remain cautious on the outlook of our business for 2021. Although the availability of COVID-19 vaccines gives hope for people's daily lives and economic activities to return to normal, the process is likely lengthy. The real estate industry could potentially be disrupted in the post-pandemic era because of behavioural changes, such as work-from-home policy. Issues on various fronts – namely social distancing measures, Sino-US trade under a new US president, pending resumption of global travel and local unemployment - will all have a bearing on the office rental and retail markets.

In the coming year, we will endeavour to maintain occupancy for all the properties in the portfolio. We will also continue to adopt flexible leasing strategies such as short-term leases to retain existing tenants and attract new tenants. We will continue to be vigilant of the downside risks in both the retail and office properties due to fragile consumer sentiment and tepid rental demand.

While remote working has become prevalent, there is also an emerging "flight-to-quality" trend for office space. It is expected to fuel demand for state-of-the-art and well-designed office space. Central will remain a choice location. However, in the short-term, a rebound in demand for office space in Central remains unlikely. In view of the office space available in the Central market, including surrendered areas, we will remain flexible in our leasing strategies for Three Garden Road and continue to provide virtual tours for marketing purposes.

For Langham Place Office, new office buildings in Kowloon East are offering alternatives for tenants who are less location-sensitive. As lifestyle tenants are keen to have a presence in prime locations, we will further enhance our positioning of the property as a lifestyle landmark for risk diversification. Since most lifestyle tenants were impacted by the closure ordered by the government amid COVID-19, it will take some time for the rental demand from the beauty and healthcare sectors to recover. But in the medium to long-run, the growing awareness in health should benefit these segments.

The implementation of COVID-19 vaccination campaigns around the world is expected to bring back global travel activities gradually. Nevertheless, border controls and quarantine measures will likely be in place for the time being. As such, retail sales of tourist-oriented categories would continue to underperform. The overall rental income in 2021 is expected to stay in a downward trend. As sales of tenants are still substantially below pre-COVID level, the turnover rent portion is still under pressure. And tenancies with base-rent portion are expected to record negative rental reversions. We will continue to enhance our digital presence and come up with sales-driven promotions to boost footfall and sales. We will also explore tenants mix rebranding opportunities in the meantime so as to create new shopping experience for our patrons.

Amid the dicey market environment, the Trust has sufficient credit facilities and cash on hand to refinance the bank loans due in 2021. In the coming year, we will explore sustainability financing to further enhance the Trust's financial flexibility. We will also continue to enhance treasury management to generate better return and income. Furthermore, we will take a prudent approach in identifying diversification opportunities globally for external growth for the Trust.

The overall operating environment of our business will remain very difficult in 2021. While there are downside risks in rental income of our properties portfolio and the DPU, we will continue to work closely with tenants and stakeholders in collaboration for the sustainable development of the Trust.

## SUSTAINABILITY

At Champion REIT, we believe that embracing sustainability whole-heartedly is an integral part of our corporate culture and business direction. It is a key differentiator that allows us to have a competitive advantage over others, and in achieving outstanding financial performance in the long-term.

This year, we will issue our first standalone *Sustainability Report* to disclose our environmental, social and governance ("**ESG**") performance progress and enhance our existing information disclosure practices. We also renewed our commitment to sustainability in line with our 2030 ESG goals launched in 2019.

In the sector of real estate, we must uphold sustainability principles, especially regarding energy consumption and emission reduction. Amid the COVID-19 pandemic, we nonetheless forged ahead to create positive solutions in partnership with our tenants. We reaffirmed our perseverance in maintaining the sustainable practices, which is particularly crucial as we are faced with a virus which has affected many aspects of life. One of our sustainability goals is to transform our properties into wellness-oriented spaces, a task we vow to pursue in 2021 and beyond.

We take it to heart to encourage all our employees to work together with the Trust to achieve the utmost sustainability impacts. This will enable us to both mitigate business risks and identify growth opportunities. Despite the relatively small size of our team, we are dedicated to creating a ripple effect with an aim to influence our stakeholders positively.

Moving forward, we are excited to follow the roadmap we have developed to fight climate change, together with our much-valued stakeholders. As we press on, we will be proactive in continuously refining our strategies for the overall welfare of the Trust and the greater community.

## VALUATION OF PROPERTIES

According to the Property Valuation Reports issued by Colliers International (Hong Kong) Limited on 27 January 2021, the valuation of the properties of Champion REIT, broken down by usage as at 31 December 2020 was:

	Three Garden Road	Langham Place	Sub-total
Dec 2020 Valuation	HK\$ million	HK\$ million	HK\$ million
Office	39,582	9,055	48,637
Retail	607	16,628	17,235
Car Park	576	302	878
Miscellaneous	367	201	568
<b>Total</b>	<b>41,132</b>	<b>26,186</b>	<b>67,318</b>

As at 31 December 2020, the appraised value of the Trust's property portfolio was HK\$67.3 billion, sliding 17.1% from HK\$81.2 billion as at 31 December 2019. 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 marginally increased to 3.7%, 4.1% and 4.0% respectively compared with 2019.

## FINANCIAL REVIEW

### DISTRIBUTIONS

The total distribution amount of Champion REIT for the year was HK\$1,476 million, representing a decline of 5.7% compared to HK\$1,566 million in 2019. The total distribution amount is based on 95% of Champion REIT's distributable income.

The distribution per unit for the six months ended 31 December 2020 ("**Final Distribution per Unit**") was HK\$0.1275. This is subject to adjustment that may result from the issuance of any new units between 1 January 2021 and the record date. A further announcement informing unitholders of any adjustment to the Final Distribution per Unit will be made in due course.

With an Interim Distribution per Unit of HK\$0.1225 and a Final Distribution per Unit of HK\$0.1275, the Total Distribution per Unit for 2020 amounted to HK\$0.2500 (2019: HK\$0.2662). Based on the closing unit price of HK\$4.53 recorded on 31 December 2020, the Total Distribution per Unit represented a distribution yield of 5.5%.

### CLOSURE OF REGISTER OF UNITHOLDERS

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

- (i) To qualify for the distribution for the six months ended 31 December 2020

For the purpose of ascertaining the Unitholders' entitlement to the distribution for the six months ended 31 December 2020, the Register of Unitholders will be closed from Monday, 26 April 2021 to Thursday, 29 April 2021, both days inclusive. The payment of the distribution for the six months ended 31 December 2020 will be made on Friday, 7 May 2021 to Unitholders whose names appear on the Register of Unitholders on Thursday, 29 April 2021.

In order to qualify for the distribution for the six months ended 31 December 2020, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited ("**Unit Registrar**") of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30pm on Friday, 23 April 2021.

- (ii) To attend and vote at the 2021 Annual General Meeting

For the purpose of ascertaining the Unitholders' entitlement to attend and vote at the 2021 Annual General Meeting to be held on Thursday, 20 May 2021 ("**2021 AGM**"), the Registers of Unitholders will be closed from Friday, 14 May 2021 to Thursday, 20 May 2021, both days inclusive.

In order to be eligible to attend and vote at the 2021 AGM, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with the Unit Registrar for registration not later than 4:30pm on Thursday, 13 May 2021.

## PROACTIVE LIABILITY MANAGEMENT

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

As at 31 December 2020

(HK\$ million)

	Fixed rate debt <sup>(2)</sup>	Floating rate debt	Total debt	Undrawn committed facilities	Total debt and undrawn committed facilities
<b>HK\$ denominated</b>					
Secured bank loans	3,450	-	3,450	-	3,450
Unsecured bank loans	2,900	2,493	5,393	3,007	8,400
Medium Term Notes	1,700	643	2,343	-	2,343
	<b>8,050</b>	<b>3,136</b>	<b>11,186</b>	<b>3,007</b>	<b>14,193</b>
<b>US\$ denominated<sup>(3)</sup></b>					
Medium Term Notes	5,324	-	5,324	-	5,324
	<b>5,324</b>	<b>-</b>	<b>5,324</b>	<b>-</b>	<b>5,324</b>
<b>Total</b>	<b>13,374</b>	<b>3,136</b>	<b>16,510</b>	<b>3,007</b>	<b>19,517</b>

(1) All amounts are stated at face value

(2) After accounting for interest rate swaps

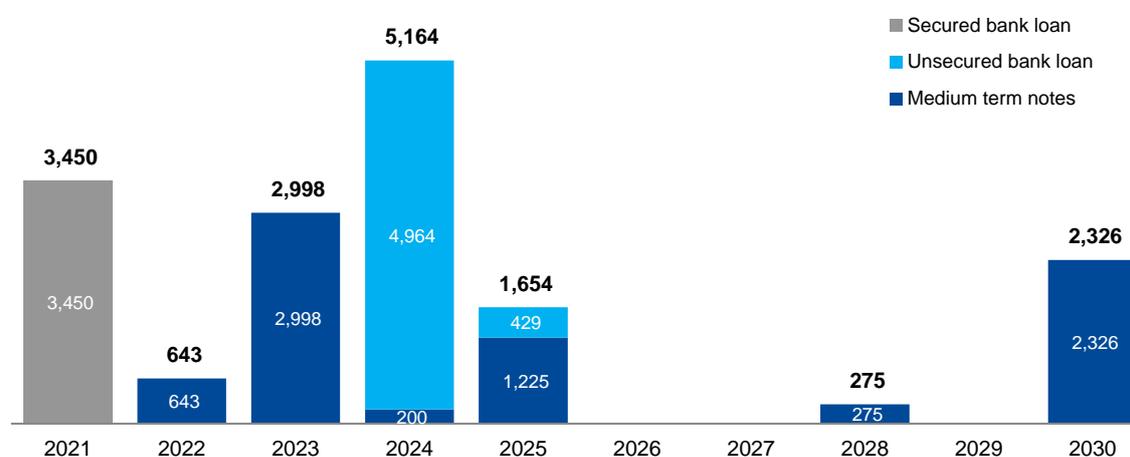
(3) Included notes with outstanding principal amount of US\$386.4 million, fully hedged at an average rate of HK\$7.7595 to US\$1.00

The Trust strengthened its liquidity position amid the coronavirus pandemic. During the year, the Trust issued US\$300 million 10-year medium term notes at a coupon rate of 2.95% per annum and entered into several committed term and revolving credit facilities. As at 31 December 2020, the fixed-rate debt proportion of the Trust was 81.0% as compared to 77.0% as at 30 June 2020; the increase was mainly due to partial repayment of floating-rate bank loans during the second half of 2020. Such ratio is expected to come down upon refinancing of the secured bank loan due 2021. The average effective interest rate for the year, after accounting for interest rate swaps and cross currency swaps, was 2.7% (2019: 3.0%). The average life of the Trust's outstanding debt was 3.5 years as at 31 December 2020 (2019: 3.2 years).

## Outstanding debt maturity profile

As at 31 December 2020

(HK\$ million)



As at 31 December 2020, 79.1% (2019: 75.5%) of total outstanding debt facilities was unsecured. The remaining 20.9% (2019: 24.5%) of loan facilities was secured by certain portions of Three Garden Road, which carried a fair value of HK\$21.0 billion as at 31 December 2020. The Trustee has provided guarantees for all of the debt facilities.

The Trust's investment properties as at 31 December 2020 were appraised at a total value of HK\$67.3 billion, representing a 17.1% decrease from HK\$81.2 billion as at 31 December 2019. Coupled with the increase in total debt to HK\$16.5 billion (2019: HK\$15.0 billion), the Trust's gearing ratio (or total borrowings as a percentage of gross assets) as at 31 December 2020 increased to 23.0% (2019: 18.0%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 29.1% (2019: 22.5%).

### STRENGTHENED LIQUIDITY POSITION

As at 31 December 2020, the Trust had committed debt facilities of HK\$3,007 million remained undrawn. Together with cash and deposits of HK\$1,834 million (out of which HK\$1,132 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\$2,145 million (2019: HK\$215 million) and HK\$78 million (2019: HK\$ Nil) respectively as at 31 December 2020. The Trust intended to hold the bonds until their respective maturities.

## **NET ASSETS VALUE PER UNIT**

The Net Asset Value per Unit as at 31 December 2020 was HK\$8.61 (2019: HK\$11.04). It represented a 90.1% premium to the closing unit price of HK\$4.53 as at 31 December 2020.

## **COMMITMENTS**

As at 31 December 2020, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the 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**

As at 31 December 2020, the total number of issued Units of Champion REIT was 5,906,142,701. As compared with the position of 31 December 2019, a total of 33,353,390 new Units were issued during the year as follows:-

- On 4 September 2020, 17,309,178 new Units were issued to the REIT Manager at the price of HK\$4.140 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$71,660,000 for the first half of 2020.
- On 4 March 2020, 16,044,212 new Units were issued to the REIT Manager at the price of HK\$4.555 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's Fee of approximately HK\$73,081,000 for the second half of 2019.

## **REAL ESTATE SALE AND PURCHASE**

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the Trust Deed) during the year ended 31 December 2020.

## RELEVANT INVESTMENTS

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

As at 31 January 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)
KERPRO 5 ½ 04/06/21	Bond	Singapore Exchange	BVI	USD	67,296	59,682	0.0787%	- / - / -
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797	9,705	0.0128%	BBB- / Baa3 / BBB-
NANFUN 4 ¾ 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,602	57,401	0.0757%	BBB- / Baa3 / BBB-
NWDEVL 5 ¼ 02/26/21	Bond	Hong Kong Exchange	BVI	USD	41,574	38,865	0.0512%	- / - / -
HKTGHD 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641	51,388	0.0677%	BBB / Baa2 / -
CAPG 6.35 02/08/24	Bond	Singapore Exchange	Cayman Islands	USD	38,747	40,371	0.0532%	B / B2 / BB
MOLAND 11 ½ 11/13/22	Bond	Singapore Exchange	Cayman Islands	USD	3,809	4,018	0.0053%	- / B3 / B
GRNCH 5.65 07/13/25	Bond	Hong Kong Exchange	Cayman Islands	USD	9,300	9,601	0.0127%	- / Baa3 / -
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	77,488	83,478	0.1100%	BB- / - / BB
CIFIHG 7 ¾ 03/02/21	Bond	Hong Kong Exchange	Cayman Islands	USD	71,331	70,137	0.0925%	- / - / BB
CAPG 7 ½ 05/10/21	Bond	Singapore Exchange	Cayman Islands	USD	44,530	44,174	0.0582%	B / B2 / BB
TPHL 6 05/05/21	Bond	Hong Kong Exchange	Cayman Islands	USD	28,944	28,828	0.0380%	- / - / -
CAPG 4.2 01/20/22	Bond	Singapore Exchange	Cayman Islands	USD	29,945	29,919	0.0394%	- / - / -
CIFIHG 6 ¾ 04/23/21	Bond	Hong Kong Exchange	Cayman Islands	USD	3,154	3,132	0.0041%	BB- / Baa3 / BB
ZHPRHK 5.95 11/18/21	Bond	Hong Kong Exchange	Cayman Islands	USD	38,772	38,876	0.0512%	- / - / -
TPHL 7.85 06/04/21	Bond	Hong Kong Exchange	Cayman Islands	USD	3,143	3,137	0.0041%	- / B1 / BB-
LOGPH 6 ¾ 04/24/21	Bond	Singapore Exchange	Cayman Islands	USD	21,990	21,903	0.0289%	- / - / BB
CAPG 4 ¾ 09/01/21	Bond	Unlisted	Cayman Islands	USD	232,509	232,605	0.3066%	- / - / -
AGILE 4 ¼ 11/01/21	Bond	Unlisted	Cayman Islands	USD	542,521	551,320	0.7267%	- / - / -
KWGPRO 4 ¾ 12/29/21	Bond	Unlisted	Cayman Islands	USD	775,350	781,398	1.0300%	- / - / -
Union Medical Healthcare Limited (Stock Code: 2138.HK)	Equity	Hong Kong Exchange	Cayman Islands	HKD	54,354	75,631	0.0997%	N/A
<b>Total</b>					<b>2,200,797</b>	<b>2,235,569</b>	<b>2.9467%</b>	

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

## CORPORATE GOVERNANCE

Champion REIT is committed to attaining global best practices and standards for all activities and transactions conducted in relation to the Trust and any matters arising out of its listing or trading on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The current corporate governance framework adopted by the REIT Manager emphasizes accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures. The REIT Manager has in place a comprehensive set of compliance procedures and guidelines (“**Compliance Manual**”) which set out the key processes, systems and measures used to implement this corporate governance framework.

Throughout the year ended 31 December 2020, the REIT Manager and Champion REIT have complied with the Code on Real Estate Investment Trusts, the Trust Deed of Champion REIT, the relevant provisions and requirements of the Securities and Futures Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) applicable to Champion REIT.

The REIT Manager and Champion REIT have also complied with the provisions of the Compliance Manual and all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the Year. In respect of the code governing dealings in the securities of Champion REIT (“**Code on Securities Dealings**”), specific enquiry has been made with the REIT Manager’s Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2020.

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

Key components of the governance framework and the corporate governance report for the year ended 31 December 2020 will be set out in the 2020 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 28 May 2020. During the year ended 31 December 2020, 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 2020 have been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

## ANNUAL GENERAL MEETING

The 2021 Annual General Meeting of Champion REIT will be held on Thursday, 20 May 2021 at 4:00pm. Notice of the meeting will be published and despatched to Unitholders in due course.

## ISSUANCE OF ANNUAL REPORT

The 2021 Annual Report of Champion REIT will be despatched to Unitholders and published on the websites of the “HKEXnews” ([www.hkexnews.hk](http://www.hkexnews.hk)) and Champion REIT ([www.ChampionReit.com](http://www.ChampionReit.com)) before the end of March 2021.

## 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 2020 as set out in this announcement have been agreed by the Trust’s external auditor, Messrs Deloitte Touche Tohmatsu, to the amounts set out in the Trust’s audited consolidated financial statements for the year. The work performed by Messrs Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs Deloitte Touche Tohmatsu on this announcement.

## BOARD OF DIRECTORS

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

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

Hong Kong, 18 February 2021

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Rental income	5	2,599,093	2,742,400
Building management fee income	5	287,063	302,527
Rental related income	6	34,164	35,742
<b>Total revenue</b>		<b>2,920,320</b>	<b>3,080,669</b>
Property operating expenses	7	(573,217)	(600,027)
<b>Net property income</b>		<b>2,347,103</b>	<b>2,480,642</b>
Other income	8	54,368	41,317
Manager's fee	9	(281,652)	(297,677)
Trust and other expenses		(26,021)	(23,895)
Decrease in fair value of investment properties		(13,847,195)	(1,994,379)
Finance costs	10	(472,803)	(485,470)
<b>Loss before tax and distribution to unitholders</b>	11	<b>(12,226,200)</b>	<b>(279,462)</b>
Income taxes	12	(270,890)	(290,860)
<b>Loss for the year, before distribution to unitholders</b>		<b>(12,497,090)</b>	<b>(570,322)</b>
Distribution to unitholders		(1,476,445)	(1,565,536)
<b>Loss for the year, after distribution to unitholders</b>		<b>(13,973,535)</b>	<b>(2,135,858)</b>
<b>Basic loss per unit</b>	13	<b>HK\$(2.12)</b>	<b>HK\$(0.10)</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<b>Loss for the year, after distribution to unitholders</b>	<b><u>(13,973,535)</u></b>	<b><u>(2,135,858)</u></b>
<b>Other comprehensive (expense) income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income	21,001	-
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(212,655)	57,113
Reclassification of fair value adjustments to profit or loss	<u>43,724</u>	<u>2,668</u>
	<b><u>(147,930)</u></b>	<b><u>59,781</u></b>
<b>Total comprehensive expense for the year</b>	<b><u><u>(14,121,465)</u></u></b>	<b><u><u>(2,076,077)</u></u></b>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<b>Non-current assets</b>			
Investment properties		67,318,000	81,178,000
Notes receivables		242,524	215,093
Equity instruments at fair value through other comprehensive income		77,950	-
Derivative financial instruments		-	61,007
<b>Total non-current assets</b>		<b><u>67,638,474</u></b>	<b><u>81,454,100</u></b>
<b>Current assets</b>			
Trade and other receivables	14	316,785	259,364
Notes receivables		1,902,200	-
Tax recoverable		2,194	608
Derivative financial instruments		-	3,419
Short-term bank deposits		191,485	200,000
Bank balances and cash		1,642,094	1,761,655
<b>Total current assets</b>		<b><u>4,054,758</u></b>	<b><u>2,225,046</u></b>
<b>Total assets</b>		<b><u>71,693,232</u></b>	<b><u>83,679,146</u></b>
<b>Current liabilities</b>			
Trade and other payables	15	2,115,122	1,393,805
Deposits received		741,215	799,552
Derivative financial instruments		23,704	-
Tax liabilities		46,650	279,194
Distribution payable		752,780	783,505
Bank borrowings		3,441,549	843,510
Medium term notes		-	199,929
<b>Total current liabilities</b>		<b><u>7,121,020</u></b>	<b><u>4,299,495</u></b>
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Derivative financial instruments		99,583	-
Bank borrowings		5,347,376	8,597,553
Medium term notes		7,608,548	5,326,277
Deferred tax liabilities		659,107	621,499
<b>Total non-current liabilities, excluding net assets attributable to unitholders</b>		<b><u>13,714,614</u></b>	<b><u>14,545,329</u></b>
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b><u>20,835,634</u></b>	<b><u>18,844,824</u></b>
<b>Net assets attributable to unitholders</b>		<b><u>50,857,598</u></b>	<b><u>64,834,322</u></b>
<b>Number of units in issue ('000)</b>	16	<b><u>5,906,143</u></b>	<b><u>5,872,789</u></b>
<b>Net asset value per unit</b>	17	<b><u>HK\$8.61</u></b>	<b><u>HK\$11.04</u></b>

**DISTRIBUTION STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Loss for the year, before distribution to unitholders	(12,497,090)	(570,322)
Adjustments:		
- Gain from derecognition of financial assets measured at amortised cost	(2,595)	-
- Manager's fee paid and payable in units	140,826	148,838
- Decrease in fair value of investment properties	13,847,195	1,994,379
- Non-cash finance costs	28,209	33,422
- Deferred tax	37,608	41,615
<b>Total distributable income to unitholders (note (i))</b>	<b><u>1,554,153</u></b>	<b><u>1,647,932</u></b>
Interim distribution, paid to unitholders (note (ii))	723,665	782,031
Final distribution, to be paid to unitholders (note (iii))	752,780	783,505
<b>Total distributions for the year</b>	<b><u>1,476,445</u></b>	<b><u>1,565,536</u></b>
<b>Payout ratio</b>	<b><u>95.0%</u></b>	<b><u>95.0%</u></b>
<b>Distributions per unit:</b>		
Interim distribution per unit, paid to unitholders (note (ii))	HK\$0.1225	HK\$0.1332
Final distribution per unit, to be paid to unitholders (note (iii))	HK\$0.1275	HK\$0.1330
	<b><u>HK\$0.2500</u></b>	<b><u>HK\$0.2662</u></b>

Notes:

(i) Pursuant to the Trust Deed, the total distributable income is 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) 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 in issue as of 25 September 2020, which was the record date for the period. The interim distribution was paid to unitholders on 9 October 2020.

The interim distribution per unit of HK\$0.1332 for the six months ended 30 June 2019 was calculated based on the interim distribution paid of HK\$782,031,000 for the period and 5,872,789,311 units in issue as at 20 September 2019, which was the record date for the period. The interim distribution was paid to unitholders on 4 October 2019.

(iii) The final distribution per unit of HK\$0.1275 for the year ended 31 December 2020 is calculated based on the final distribution to be paid to unitholders of HK\$752,780,000 for the period and 5,906,142,701 units in issue as at 31 December 2020. The final distribution per unit for the year ended 31 December 2020 will be subject to further adjustments upon the issuance of units between 1 January 2021 and 29 April 2021, which is the record date set for such period. The final distribution will be paid to unitholders on 7 May 2021.

The final distribution per unit of HK\$0.1330 for the year ended 31 December 2019 was calculated based on the final distribution paid of HK\$783,505,000 for the period and 5,888,833,523 units in issue as at 7 May 2020, which was the record date for the period. The final distribution was paid to unitholders on 15 May 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 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, 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 in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. The address of the registered office of the Manager and the Trustee, is Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Hong Kong, and 1 Queen's Road Central, Hong Kong, respectively.

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

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

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

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

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

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

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

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

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

## 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 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 2020, the Group's current liabilities exceeded its current assets by HK\$3,066,262,000 (2019: HK\$2,074,449,000). 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.

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment. Office demand and retail sentiments are impacted by the outbreak of COVID-19. In addition, there is a negative impact on the valuation of the Group's investment properties. As such, the consolidated results of operations and fair value of the investment properties were impacted.

#### 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 2020

	<b>Three Garden Road</b> HK\$'000	<b>Langham Place Office Tower</b> HK\$'000	<b>Langham Place Mall</b> HK\$'000	<b>Consolidated</b> HK\$'000
<b>Revenue</b>	<u>1,672,012</u>	<u>428,659</u>	<u>819,649</u>	<u>2,920,320</u>
<b>Segment results</b>				
- Net property income	<u>1,369,214</u>	<u>346,091</u>	<u>631,798</u>	<u>2,347,103</u>
Other income				54,368
Manager's fee				(281,652)
Trust and other expenses				(26,021)
Decrease in fair value of investment properties				(13,847,195)
Finance costs				<u>(472,803)</u>
<b>Loss before tax and distribution to unitholders</b>				<b>(12,226,200)</b>
Income taxes				<u>(270,890)</u>
<b>Loss for the year, before distribution to unitholders</b>				<b>(12,497,090)</b>
Distribution to unitholders				<u>(1,476,445)</u>
<b>Loss for the year, after distribution to unitholders</b>				<b>(13,973,535)</b>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
Decrease in fair value of investment properties	<u>(7,397,850)</u>	<u>(1,373,000)</u>	<u>(5,076,345)</u>	<u>(13,847,195)</u>

4. **SEGMENT INFORMATION** - continued

**Segment revenue and results** - continued

For the year ended 31 December 2019

	<b>Three Garden Road HK\$'000</b>	<b>Langham Place Office Tower HK\$'000</b>	<b>Langham Place Mall HK\$'000</b>	<b>Consolidated HK\$'000</b>
Revenue	<u>1,674,848</u>	<u>428,264</u>	<u>977,557</u>	<u>3,080,669</u>
<b>Segment results</b>				
- Net property income	<u>1,374,544</u>	<u>341,735</u>	<u>764,363</u>	<u>2,480,642</u>
Other income				41,317
Manager's fee				(297,677)
Trust and other expenses				(23,895)
Decrease in fair value of investment properties				(1,994,379)
Finance costs				<u>(485,470)</u>
<b>Loss before tax and distribution to unitholders</b>				<b>(279,462)</b>
Income taxes				<u>(290,860)</u>
<b>Loss for the year, before distribution to unitholders</b>				<b>(570,322)</b>
Distribution to unitholders				<u>(1,565,536)</u>
<b>Loss for the year, after distribution to unitholders</b>				<b><u>(2,135,858)</u></b>
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:</b>				
(Decrease) increase in fair value of investment properties	<u>(1,397,379)</u>	<u>518,000</u>	<u>(1,115,000)</u>	<u>(1,994,379)</u>

#### 4. SEGMENT INFORMATION - continued

##### Other segment information

	<b>Three Garden Road HK\$'000</b>	<b>Langham Place Office Tower HK\$'000</b>	<b>Langham Place Mall HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b><u>For the year ended 31 December 2020</u></b>				
Additions to non-current assets	-	-	-	-
<b><u>For the year ended 31 December 2019</u></b>				
Additions to non-current assets	37,379	-	-	37,379

##### Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2020, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$41,132,000,000 (2019: HK\$48,530,000,000), HK\$9,055,000,000 (2019: HK\$10,428,000,000) and HK\$17,131,000,000 (2019: HK\$22,220,000,000), respectively.

Save as abovementioned, no other assets or liabilities are included in the measures of the Group's segment reporting.

##### Geographical information

The Group's activities are all carried out in Hong Kong.

The Group's revenue from external customers and information about its non-current assets are all located in Hong Kong.

##### Information about major tenants

There were two tenants whose revenue contributed over 10% of the total revenue of the Group for the year ended 31 December 2020.

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the year ended 31 December 2019.

## 5. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Property rental income	2,557,924	2,696,697
Car park income	41,169	45,703
Rental income	<u><b>2,599,093</b></u>	<u><b>2,742,400</b></u>

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Building management fee income	<u><b>287,063</b></u>	<u><b>302,527</b></u>

## 6. RENTAL RELATED INCOME

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Interest income from tenants	1,341	682
Promotional levy income	13,494	13,809
Sundry income	19,329	21,251
	<u><b>34,164</b></u>	<u><b>35,742</b></u>

## 7. PROPERTY OPERATING EXPENSES

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Allowance for credit loss	1,001	-
Building management expenses	323,919	336,025
Car park operating expenses	11,374	11,356
Government rent and rates	100,773	81,371
Legal cost and stamp duty	3,566	4,780
Promotion expenses	23,006	18,783
Property and lease management service fee	78,514	83,014
Property miscellaneous expenses	3,626	3,668
Rental commission	24,782	51,911
Repairs and maintenance	2,656	9,119
	<u><b>573,217</b></u>	<u><b>600,027</b></u>

## 8. OTHER INCOME

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Bank interest income	27,962	33,282
Bond interest income	23,165	8,035
Dividend income	646	-
Gain from derecognition of financial assets measured at amortised cost	2,595	-
	<u><b>54,368</b></u>	<u><b>41,317</b></u>

## 9. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2020 and 31 December 2020, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2020 and 31 December 2020 as remuneration.

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<b>Manager's fee:</b>		
In the form of units	140,826	148,838
In the form of cash	140,826	148,839
	<u><b>281,652</b></u>	<u><b>297,677</b></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 and 31 December 2020 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>2020</u> HK\$'000	<u>2019</u> HK\$'000
<b>Finance costs represent:</b>		
Interest expense on bank borrowings	236,673	281,174
Interest expense on medium term notes	233,314	202,824
Other borrowing costs	2,816	1,472
	<u><b>472,803</b></u>	<u><b>485,470</b></u>

## 11. LOSS BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<b>Loss before tax and distribution to unitholders has been arrived at after charging:</b>		
Auditors' remuneration	2,527	2,590
Trustee's remuneration	12,852	14,685
Principal valuer's fee	245	270
Other professional fees and charges	7,861	2,779
Roadshow and public relations expenses	1,052	1,510
Bank charges	355	288
Exchange difference	1,082	843
	<u>2,527</u>	<u>2,590</u>

## 12. INCOME TAXES

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<b>Hong Kong Profits Tax:</b>		
Current tax		
- Current year	233,278	249,435
- Under(over)provision in prior years	4	(190)
	<u>233,282</u>	<u>249,245</u>
Deferred tax		
- Current year	37,608	41,615
	<u>37,608</u>	<u>41,615</u>
	<b><u>270,890</u></b>	<b><u>290,860</u></b>

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

## 13. BASIC LOSS PER UNIT

The calculation of the basic loss per unit before distribution to unitholders is based on the loss for the year before distribution to unitholders of HK\$12,497,090,000 (2019: HK\$570,322,000) with the weighted average number of units of 5,895,625,190 (2019: 5,864,870,564) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2020 and 2019.

There were no dilutive potential units in issue during the years ended 31 December 2020 and 2019, therefore the diluted loss per unit has not been presented.

#### 14. TRADE AND OTHER RECEIVABLES

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Trade receivables	60,405	10,467
Less: Allowance for credit loss	(1,001)	-
	<u>59,404</u>	<u>10,467</u>
Deferred rent receivables	165,605	166,052
Deposits, prepayments and other receivables	91,776	82,845
	<u><u>316,785</u></u>	<u><u>259,364</u></u>

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>2020</u> HK\$'000	<u>2019</u> HK\$'000
0 - 3 months	30,777	10,467
3 - 6 months	16,670	-
Over 6 months	11,957	-
	<u>59,404</u>	<u>10,467</u>

#### 15. TRADE AND OTHER PAYABLES

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Trade payables	68,262	101,835
Rental received in advance	33,420	50,077
Other payables and accruals (note (i))	1,049,965	278,418
Accrued stamp duty	963,475	963,475
	<u><u>2,115,122</u></u>	<u><u>1,393,805</u></u>

(i) Included in the other payables and accruals are (a) manager's fee payable of HK\$138,332,000 (2019: HK\$146,163,000) and (b) consideration payable of HK\$775,350,000 in relation to notes receivable acquired in December 2020 (2019: HK\$Nil).

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

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
0 - 3 months	<u>68,262</u>	<u>101,835</u>

## 16. ISSUED UNITS

	<u>Number of units</u>	HK\$'000
Balance at 1 January 2019	5,847,092,804	24,414,939
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>25,696,507</u>	<u>149,471</u>
<b>Balance at 31 December 2019</b>	<b>5,872,789,311</b>	<b>24,564,410</b>
Payment of Manager's fee through issuance of new units during the year (note (i))	<u>33,353,390</u>	<u>144,741</u>
<b>Balance at 31 December 2020</b>	<b><u>5,906,142,701</u></b>	<b><u>24,709,151</u></b>

Note:

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

<u>Issue date</u>	<u>Payment of the Manager's fees for the period</u>	<u>Issue price per unit determined based on the Trust Deed</u> HK\$	<u>Number of units issued</u>	<u>Aggregate issue price</u> HK\$'000
<b>In 2020</b>				
4 March 2020	1.7.2019 to 31.12.2019	4.5550	16,044,212	73,081
4 September 2020	1.1.2020 to 30.6.2020	4.1400	17,309,178	71,660
			<u>33,353,390</u>	<u>144,741</u>
<b>In 2019</b>				
8 March 2019	1.7.2018 to 31.12.2018	6.460	11,410,795	73,714
29 August 2019	1.1.2019 to 30.6.2019	5.303	14,285,712	75,757
			<u>25,696,507</u>	<u>149,471</u>

## 17. 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 2020 of HK\$50,857,598,000 (2019: HK\$64,834,322,000) by the number of units in issue of 5,906,142,701 as at 31 December 2020 (2019: 5,872,789,311).

## 18. NET CURRENT LIABILITIES

At 31 December 2020, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$3,066,262,000 (2019: HK\$2,074,449,000).

## 19. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2020, the Group's total assets less current liabilities amounted to HK\$64,572,212,000 (2019: HK\$79,379,651,000).

**20. CAPITAL COMMITMENT**

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	<b><u>45,083</u></b>	<b><u>-</u></b>