

ChampionREIT

冠君產業信託

Champion Real Estate Investment Trust (stock code: 2778) 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)
冠君產業信託 (股份代號：2778) 為根據香港法例第571章證券及期貨條例第104條獲認可的香港集體投資計劃



2021
INTERIM REPORT
中期報告



Trust Profile

Champion REIT is a real estate investment 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.

Trust Objectives

Champion REIT's key objectives are to provide investors with stable and sustainable distributions and to achieve long-term capital growth. This aim of providing attractive total returns will be achieved by, among other things, proactive management of the properties in the Trust's portfolio and the selective acquisition of properties that will enhance distributions.



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Corporate Information

CHAMPION REIT

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))

REIT MANAGER

Eagle Asset Management (CP) Limited
Suite 3008, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2879 1288
Fax: (852) 2827 1338
Email: info@eam.com.hk

BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

LO Ka Shui (*Chairman*)
WONG Mei Ling, Marina

Executive Director

WONG Ka Ki, Ada (*Chief Executive Officer*)

Independent Non-executive Directors

CHENG Wai Chee, Christopher
HO Shut Kan
IP Yuk Keung, Albert
SHEK Lai Him, Abraham

AUDIT COMMITTEE OF THE REIT MANAGER

SHEK Lai Him, Abraham (*Chairman*)
CHENG Wai Chee, Christopher
HO Shut Kan
IP Yuk Keung, Albert
LO Ka Shui

DISCLOSURES COMMITTEE OF THE REIT MANAGER

WONG Ka Ki, Ada (*Chairman*)
LO Ka Shui
SHEK Lai Him, Abraham

NOMINATION COMMITTEE OF THE REIT MANAGER

HO Shut Kan (*Chairman*)
CHENG Wai Chee, Christopher
LO Ka Shui
SHEK Lai Him, Abraham

FINANCE AND STRATEGIC PLANNING COMMITTEE OF THE REIT MANAGER

LO Ka Shui (*Chairman*)
WONG Ka Ki, Ada
WONG Mei Ling, Marina

RESPONSIBLE OFFICERS OF THE REIT MANAGER

WONG Ka Ki, Ada
KWONG Chi Kwong
LEUNG Kin Shan
LUK Ka Ping, Amy

COMPANY SECRETARY OF THE REIT MANAGER

G. E. Secretaries Limited

PROPERTY MANAGER

Eagle Property Management (CP) Limited

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Bank, Ltd.
Oversea-Chinese Banking Corporation Limited

LEGAL ADVISOR

Baker & McKenzie

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL VALUER

Cushman & Wakefield Limited

UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk

WEBSITE

www.ChampionReit.com

STOCK CODE

2778

Financial Highlights

	6 Months Ended 30 Jun 2021 HK\$ million	6 Months Ended 30 Jun 2020 HK\$ million	Change
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 HK\$ million	As at 31 Dec 2020 HK\$ million	Change
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.

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

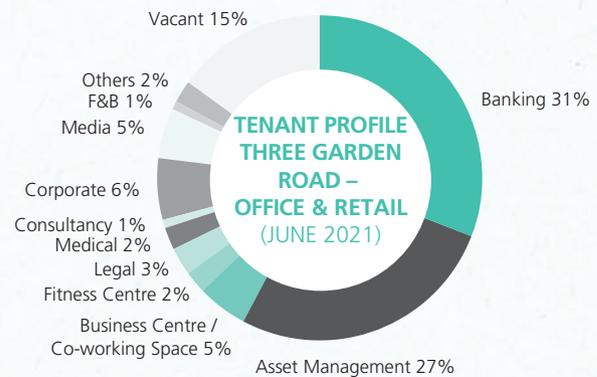
THREE GARDEN ROAD

	6 Months Ended 30 Jun 2021 HK\$'000	6 Months Ended 30 Jun 2020 HK\$'000	Change
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 (2020: 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.



Operational Review

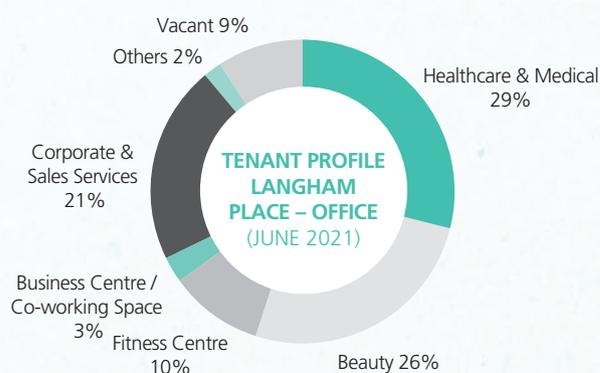
LANGHAM PLACE OFFICE TOWER

	6 Months Ended 30 Jun 2021 HK\$'000	6 Months Ended 30 Jun 2020 HK\$'000	Change
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).



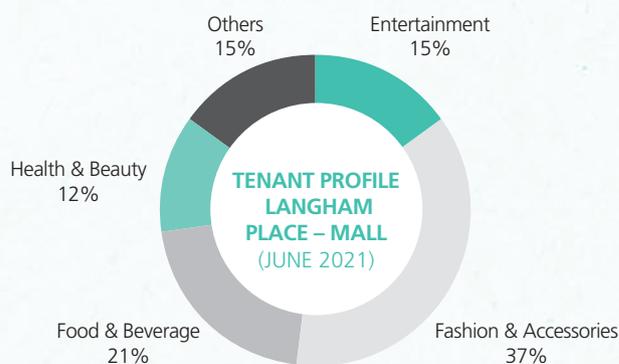
LANGHAM PLACE MALL

	6 Months Ended 30 Jun 2021 HK\$'000	6 Months Ended 30 Jun 2020 HK\$'000	Change
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 a 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.

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

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:

June 2021 Valuation	Three Garden Road HK\$ million	Langham Place HK\$ million	Sub-total 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.

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
MediumTerm Notes	1,700	643	2,343	–	2,343
	4,600	6,048	10,648	3,095	13,743
US\$ denominated⁽³⁾					
MediumTerm 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\$16.0 billion (31 December 2020: HK\$16.5 billion) and wholly on an unsecured basis

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.

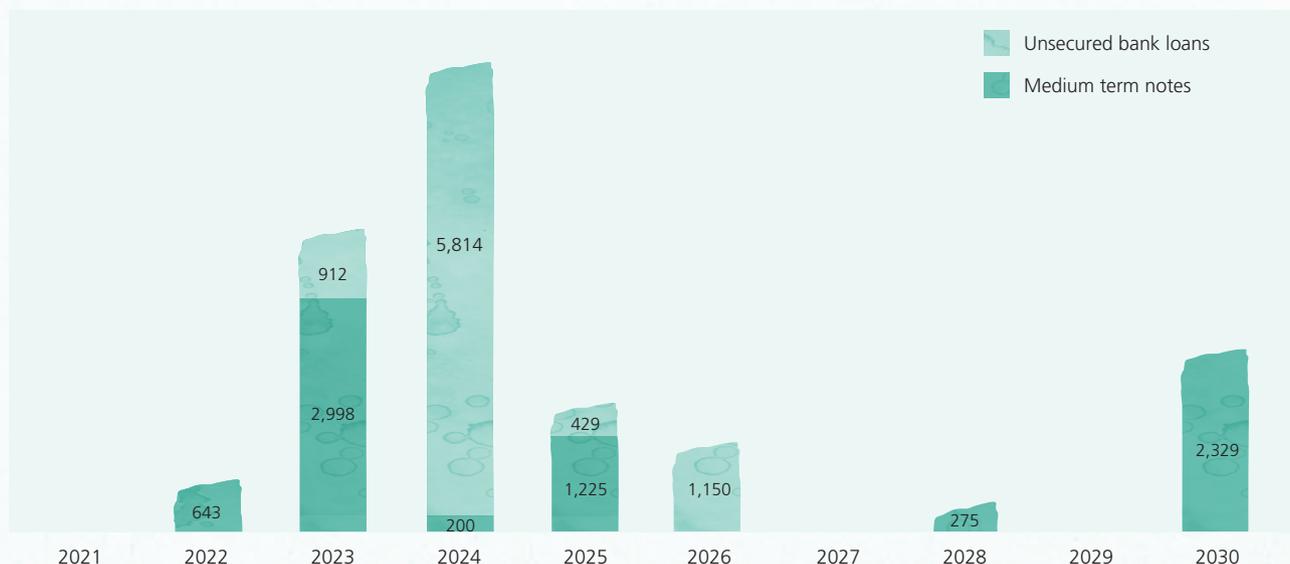
which greatly enhanced the financial flexibility of the Trust. As certain interest rate swaps expired in June 2021, the fixed-rate debt proportion of the Trust was 62.1% at the end of the reporting period (31 December 2020: 81.0%). The average effective interest rate – after accounting for interest rate 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).

Financial Review

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.

Biographical Details of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the REIT Manager subsequent to the publication of the 2020 Annual Report of Champion REIT and up to the date of this Interim Report, are updated as follow:

Dr LO Ka Shui

Chairman and Non-executive Director

Dr LO Ka Shui, aged 74, was appointed as Chairman and Non-executive Director of the REIT Manager in 2006. He is a Member of Audit Committee, Disclosures Committee, Nomination Committee and Chairman of Finance and Strategic Planning Committee of the REIT Manager. He is also a Director of all special purpose vehicles of Champion REIT. Dr Lo is Chairman and Managing Director of Great Eagle Holdings Limited, and Chairman and Non-executive Director of the publicly-listed trust, Langham Hospitality Investments. He is also Vice President of The Real Estate Developers Association of Hong Kong and a member of The Hong Kong Centre for Economic Research's Board of Trustees. Dr Lo was formerly Director of Hong Kong Exchanges and Clearing Limited; Chairman of the Listing Committee for the Main Board and Growth Enterprise Market; a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority; Chairman of The Chamber of Hong Kong Listed Companies; Chairman of the Hospital Authority of Hong Kong; a Board Member of the Airport Authority Hong Kong; and a Member of the University Grants Committee.

Dr Lo graduated from McGill University with a Bachelor of Sciences Degree and obtained a Doctor of Medicine (M.D.) Degree from Cornell University, specialising in Internal Medicine and Cardiology. He has over four decades of experience in property and hotel development, and investment both in Hong Kong and overseas.

Ms WONG Ka Ki, Ada

Chief Executive Officer and Executive Director

Ms WONG Ka Ki, Ada, aged 40, has been Chief Executive Officer and Executive Director of the REIT Manager since 2016. She is Chairman of Disclosures Committee and a Member of Finance and Strategic Planning Committee of the REIT Manager. Ms Wong, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. She also oversees the day-to-day operations. Ms Wong joined the REIT Manager as Deputy Chief Executive Officer in 2014. She was also appointed as Chief Investment Officer of the REIT Manager in 2015. As Chief Investment Officer, she is responsible for identifying and evaluating potential acquisitions or investments opportunities. She is also responsible for the capital structure of Champion REIT, including the planning and overseeing of capital raising activities from the market. Ms Wong is a Responsible Officer as defined under the Securities and Futures Ordinance. She is also a Director of all special purpose vehicles of Champion REIT.

Ms Wong has almost 20 years of finance industry experience. Prior to joining the REIT Manager, Ms Wong worked at Citigroup and J.P. Morgan's investment banking division to offer strategic advices to a number of blue chip corporates and Hong Kong real estate companies. She has also executed numbers of landmark IPOs, capital markets fund-raisings and strategic M&A transactions.

Ms Wong graduated from University of Michigan (Ann Arbor) – Ross School of Business with a Bachelor of Business Administration degree. She was honoured with the titles of The Asset ESG Best CEO in ESG Corporate Awards and FinanceAsia's Best CEO in Asia's Best Companies Awards in 2020. She was also awarded Best IR by CEO by the Hong Kong Investor Relations Association and Asia's Best CEO by Corporate Governance Asia for four consecutive years from 2017 to 2020; as well as Directors Of the Year Awards – Listed Companies Executive Director by the Hong Kong Institute of Directors in 2018. She is Chairperson of Asia Pacific Real Estate Association Hong Kong Chapter and a Fellow Member of the Royal Institution of Chartered Surveyors.

Biographical Details of Directors

Ms WONG Mei Ling, Marina

Non-executive Director

Ms WONG Mei Ling, Marina, aged 54, was appointed as Non-executive Director of the REIT Manager in October 2020. She is also a Member of Finance and Strategic Planning Committee of the REIT Manager. Ms Wong has been the officer in charge of the corporate secretary of the REIT Manager since July 2008 principally responsible for the governance, compliance and corporate secretarial matters of the REIT Manager. She is also a Director of all special purpose vehicles of Champion REIT. Ms Wong currently is Company Secretary of Great Eagle Holdings Limited, and the publicly-listed trust, Langham Hospitality Investments. Prior to that, she was a senior management of a red chip listed company in Hong Kong and served as Company Secretary and a Member of the Investment Appraisal Committee. With over 30 years solid working experience, her expertise lies in the development of governance and compliance policies and corporate secretarial and administration.

Ms Wong is a Fellow both of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Ms Wong received her Master Degree in Laws from The Chinese University of Hong Kong, her Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and her Bachelor Degree in Accountancy from City University of Hong Kong.

Mr CHENG Wai Chee, Christopher

Independent Non-executive Director

Mr CHENG Wai Chee, Christopher, aged 73, has been Director of the REIT Manager since 2006. He is a Member of Audit Committee and Nomination Committee of the REIT Manager. He was Non-executive Director of the REIT Manager prior to his re-designation as Independent Non-executive Director of the REIT Manager in May 2014. Mr Cheng is Chairman of Wing Tai Properties Limited and Independent Non-executive Director of NWS Holdings Limited (both companies are listed in Hong Kong). He is also Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr Cheng plays an active role in public service. He is a Member of the Board of Overseers at Columbia Business School; a Member of the President's Council on International Activities of Yale University; and former Chairman of the Hong Kong General Chamber of Commerce.

Mr Cheng holds a Doctorate in Social Sciences honoris causa from The University of Hong Kong and a Doctorate in Business Administration honoris causa from The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a Bachelor's Degree in Business Administration and from Columbia University, New York with a Master's Degree in Business Administration.

Mr HO Shut Kan*Independent Non-executive Director*

Mr HO Shut Kan, aged 73, has been Director of the REIT Manager since 2007. He is a Member of Audit Committee and Chairman of Nomination Committee of the REIT Manager. He was Non-executive Director of the REIT Manager prior to his re-designation as Independent Non-executive Director of the REIT Manager in January 2017. He has over 40 years of experience in the property sector. During the past three years, Mr Ho was Executive Director and Chief Executive Officer of Kerry Properties Limited (listed in Hong Kong) and Director of Shang Properties, Inc. (listed in Philippine).

Mr Ho holds a Master of Business Administration Degree from the University of East Asia.

Mr IP Yuk Keung, Albert*Independent Non-executive Director*

Mr IP Yuk Keung, Albert, aged 69, has been Director of the REIT Manager since 2011. He is a Member of Audit Committee of the REIT Manager. He was appointed as Independent Non-executive Director of the REIT Manager in May 2011 and was re-designated as Non-executive Director of the REIT Manager in June 2014 prior to his re-designation as Independent Non-executive Director of the REIT Manager in May 2021. Mr Ip is an international banking executive with over 30 years of experience in the United States, Asia and Hong Kong. He was a Real Estate Senior Credit Officer of Citibank since 1989, providing credit initial for approvals of real estate loans originated in Hong Kong and was also involved in financing the acquisition of various hotel assets internationally. Mr Ip was North Asia Real Estate Head; Hong Kong Corporate Bank Head; Transaction Banking Head – Hong Kong and Asia Investment Finance Head (Global Wealth Management) of Citigroup. He was formerly Managing Director of Citigroup and Managing Director of Investments in Merrill Lynch (Asia Pacific). Mr Ip is currently Independent Non-executive Director of Lifestyle International Holdings Limited; Power Assets Holdings Limited; New World Development Company Limited; and Hutchison Telecommunications Hong Kong Holdings Limited (all the companies mentioned above are listed in Hong Kong). During the past three years, Mr Ip was Executive Director and Chief Executive Officer of the publicly-listed trust, Langham Hospitality Investments and Independent Non-executive Director of Hopewell Holdings Limited and TOM Group Limited (all the companies mentioned above are listed in Hong Kong).

Mr Ip is an Adjunct Professor of City University of Hong Kong; Hong Kong University of Science and Technology; The Hang Seng University of Hong Kong and The Chinese University of Hong Kong. He is also a Member of the International Advisory Board of College of Business at City University of Hong Kong; a Council Member; a Member of the Business School Advisory Council and an Honorary Advisor of School of Humanities and Social Science at The Hong Kong University of Science and Technology; an Adjunct Distinguished Professor in Practice at University of Macau; a trustee of the Board of Trustees at Washington University in St. Louis; and an honorary fellow of Vocational Training Council. He is Chairman of the Board of Governors of World Green Organisation.

Mr Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science at Washington University in St. Louis (summa cum laude), a Master of Science degree in Applied Mathematics at Cornell University and a Master of Science degree in Accounting and Finance at Carnegie-Mellon University.

Biographical Details of Directors

Mr SHEK Lai Him, Abraham

Independent Non-executive Director

Mr SHEK Lai Him, Abraham, aged 76, was appointed as Independent Non-executive Director in 2006. He is Chairman of Audit Committee and a Member of both Disclosures Committee and Nomination Committee of the REIT Manager. Mr Shek is a Member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency since 2000. He is also a Honorary Member of the Court of The Hong Kong University of Science and Technology and a Member of both of the Court and the Council of The University of Hong Kong. Mr Shek is currently Honorary Chairman and Independent Non-executive Director of Chuang's China Investments Limited; Vice Chairman and Independent Non-executive Director of ITC Properties Group Limited; Vice Chairman and Executive Director of Goldin Financial Holdings Limited; Independent Non-executive Director of Paliburg Holdings Limited; Lifestyle International Holdings Limited; NWS Holdings Limited; Chuang's Consortium International Limited; Country Garden Holdings Company Limited; China Resources Cement Holdings Limited; Lai Fung Holdings Limited; Cosmopolitan International Holdings Limited; Everbright Grand China Assets Limited; CSI Properties Limited; Far East Consortium International Limited; Landing International Development Limited; Hao Tian International Construction Investment Group Limited and International Alliance Financial Leasing Co., Ltd.; and advisor to SJM Holdings Limited, all the companies mentioned above are listed in Hong Kong. He is also Independent Non-executive Director of Regal Portfolio Management Limited (as the manager of Regal REIT listed in Hong Kong). Mr Shek is Independent Non-executive Director of Ping An OneConnect Bank (Hong Kong) Limited. During the past three years, Mr Shek was Independent Non-executive Director of Hop Hing Group Holdings Limited; MTR Corporation Limited; and SJM Holdings Limited (all companies are listed in Hong Kong). He is also a Member of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

Mr Shek graduated from the University of Sydney with a Bachelor of Arts Degree.

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 emphasises accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investment procedures. The REIT Manager has in place a comprehensive set of compliance procedures and guidelines that set out the key processes, systems and measures used to implement the corporate governance framework.

The Board of Directors (“Board”) of the REIT Manager plays a central supporting and supervisory role in its corporate governance duties and bears primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures. It regularly reviews the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance, approves changes to governance policies in light of the latest statutory regime and international best practices, and reviews corporate governance disclosures.

AUTHORISATION STRUCTURE

Champion REIT is a collective investment scheme constituted as a Unit Trust and authorised by the Securities and Futures Commission (“SFC”) under Section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and regulated by the SFC pursuant to the provisions of the SFO, the Code on Real Estate Investment Trusts (“REIT Code”) and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The REIT Manager has been authorised by the SFC under Section 116 of the SFO to conduct regulated activity of asset management. Ms Wong Ka Ki, Ada, Chief Executive Officer and Executive Director; Ms Luk Ka Ping, Amy, Investment and Investor Relations Director; Mr Leung Kin Shan, Business Development Director and Mr Kwong Chi Kwong, Chief Operating Officer – Risk Management are the Responsible Officers of the REIT Manager pursuant to the requirements of Section 125 of the SFO and Paragraph 5.4 of the REIT Code. The Responsible Officers have completed Continuous Professional Training as required by the SFO for each calendar year.

HSBC Institutional Trust Services (Asia) Limited (“Trustee”) is registered as a Trust Company under Section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Champion REIT on behalf of the Unitholders, and to oversee the activities of the REIT Manager in accordance with, and for compliance with, the Deed of Trust (“Trust Deed”) constituting Champion REIT, other relevant constitutive documents and the regulatory requirements applicable to Champion REIT. Whereas the REIT Manager is responsible for managing Champion REIT in accordance with the Trust Deed and ensuring that the financial and economic aspects of Champion REIT’s assets are professionally managed in the sole interests of the Unitholders. The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Trust Deed entered into between the REIT Manager and the Trustee on 26 April 2006, the First Amending and Restating Deed dated 21 April 2021 and the Supplemental Deed that is amended from time to time.

Pursuant to the Property Management Agreement, Eagle Property Management (CP) Limited (“Property Manager”) provides property management services, lease management services and marketing services for the properties of Champion REIT located in Hong Kong on an exclusive basis subject to the overall management and supervision of the REIT Manager. The Property Manager has a team of experienced operational staff exclusively dedicated to providing property management services to Champion REIT.

Corporate Governance

FUNCTIONS OF THE BOARD OF DIRECTORS OF THE REIT MANAGER AND DELEGATION

Board of Directors

The Board of the REIT Manager is responsible for ensuring that the REIT Manager discharges its duties under the Trust Deed, which include, but are not limited to, managing the Trust in accordance with the Trust Deed in the sole interests of the Unitholders, ensuring sufficient oversight of the daily operations and financial conditions of the Trust when managing the Trust, and ensuring compliance with the licensing and authorisation requirements of the REIT Manager and the Trust and with any applicable laws, rules, codes or guidelines issued by government departments, regulatory bodies, exchanges or any other organisations regarding the activities of the Trust or its administration. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to Board committees. The Board also has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT.

The Board currently comprises seven Members, with one Executive Director, two Non-executive Directors and four Independent Non-executive Directors. The REIT Manager has adopted a board diversity policy concerning diversity of Board Members. The REIT Manager believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and attracting and retaining the best people. In addition, the REIT Manager has adopted a nomination policy. It sets out, inter alia, selection criteria and evaluation procedures for nominating candidates to be appointed or re-appointed as Directors of the REIT Manager. Mr Ip Yuk Keung, Albert was re-designated from Non-executive Director to Independent Non-executive Director of the REIT Manager and appointed as a Member of the Audit Committee with effect from 21 May 2021.

The Board of the REIT Manager may establish Board committees with clear terms of reference to review specific issues or items. The REIT Manager established a Finance and Strategic Planning Committee, adopting the terms of reference in February 2021. It is responsible for enhancing the corporate governance and control in respect of the financial performance and strategic planning of the REIT Manager and Champion REIT, including its special purpose vehicles and, if appropriate, joint venture entities (collectively known as the "Group"). The four standing Board committees established are the Audit Committee, Disclosures Committee, Nomination Committee and Finance and Strategic Planning Committee.

Save as disclosed above, there is no other changes to the composition of the Board or any of its committees during the six months ended 30 June 2021.

Audit Committee

The role of the Audit Committee is to monitor and evaluate the effectiveness of the REIT Manager's risk management and internal control systems. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports issued by the REIT Manager. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee currently comprises four Independent Non-executive Directors (namely, Mr Shek Lai Him, Abraham, Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan and Mr Ip Yuk Keung, Albert) and a Non-executive Director (namely, Dr Lo Ka Shui). Mr Shek is the Chairman of the Audit Committee.

Disclosures Committee

The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and in public announcements. It works with the management of the REIT Manager to ensure that information disclosed is accurate and complete. The Disclosures Committee currently comprises a Non-executive Director (namely, Dr Lo Ka Shui), an Independent Non-executive Director (namely, Mr Shek Lai Him, Abraham) and an Executive Director (namely, Ms Wong Ka Ki, Ada). Ms Wong is the Chairman of the Disclosures Committee.

Nomination Committee

The role of the Nomination Committee is to formulate policy and make recommendations to the Board on nominations, appointments or re-appointments of Directors and Board succession planning, to identify qualified individuals to become Board Members and make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of Independent Non-executive Directors. The Nomination Committee shall consider all individuals recommended to be Directors by any Directors or shareholders of the REIT Manager in accordance with the nomination policy of the REIT Manager. The Nomination Committee currently comprises a Non-executive Director (namely, Dr Lo Ka Shui) and three Independent Non-executive Directors (namely, Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan and Mr Shek Lai Him, Abraham). Mr Ho is the Chairman of the Nomination Committee.

Finance and Strategic Planning Committee

The Finance and Strategic Planning Committee (the "Committee") was established on 18 February 2021 to enhance governance and control in respect of the financial performance and strategic planning of the REIT Manager and the Group. The Committee is responsible for reviewing the Trust's financial strategy, budget setting strategy, operating budget, cost control budget, treasury management activities and monitoring the implementation of proposed acquisitions and/or disposals. It is distinct and separate from the Audit Committee. The Committee currently comprises two Non-executive Directors (namely, Dr Lo Ka Shui and Ms Wong Mei Ling, Marina) and an Executive Director (namely, Ms Wong Ka Ki, Ada). Dr Lo is the Chairman of the Committee.

Manager-In-Charge

Under the regulatory regime of the SFC, the Board has eight core functions and has assigned each of the core functions to the designated management person(s) called the Manager-In-Charge ("MIC"). Each of the MICs has acknowledged the appointment and associated responsibilities. The core functions and the respective MICs according to the SFC Circular are set out as below:

Function	MIC(s)
1. Overall Management Oversight	Chief Executive Officer
2. Key Business Line	Chief Executive Officer
3. Operational Control and Review	Head of Operations and Senior Internal Audit Manager
4. Finance and Accounting	Business Development Director and Finance Director
5. Risk Management	Senior Internal Audit Manager
6. Information Technology	Senior IT Project Manager
7. Compliance	Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	Chief Operating Officer – Risk Management and Compliance Manager

Corporate Governance

GOVERNANCE AND CONTROL POLICIES AND PROCEDURES

Various governance and control policies and procedures of the REIT Manager used in relation to the management of Champion REIT have been updated/established, namely:

- Guideline on US Foreign Account Tax Compliance Act
- Procedures for Common Reporting Standard
- Sanction Screening Procedures
- Code Governing Dealings in Securities by the Management Persons
- Employee's Code of Conduct
- Staff Dealing Policy
- Unitholder Communication Policy
- Whistleblowing Policy

CONFLICTS OF INTEREST AND BUSINESS COMPETITION WITH GREAT EAGLE HOLDINGS LIMITED

As mentioned hereinbefore, the REIT Manager and the Property Manager provide management and operating services to Champion REIT respectively. Longworth Management Limited ("Longworth") acts as Office DMC (deed of mutual covenant) Sub-Manager of Langham Place Office Tower. Keysen Property Management Services Limited ("Keysen") (formerly known as The Great Eagle Properties Management Company, Limited) acts as (1) Estate Manager of Langham Place Mall; (2) CAF Estate Manager and DMC Manager of Langham Place; and (3) DMC Sub-Manager of Three Garden Road. All of the above companies are wholly-owned subsidiaries of Great Eagle Holdings Limited ("Great Eagle"). Dr Lo Ka Shui is a substantial shareholder, Chairman and Managing Director of Great Eagle and a director of its affiliated companies. There may be potential conflicts of interest between Great Eagle and Champion REIT in respect of the performance of estate management services in relation to Three Garden Road and Langham Place or other properties.

Business Competition

The Great Eagle Group ("Group") is one of Hong Kong's leading property companies; the Group also owns and manages an extensive international hotel portfolio branded under "Langham", "Cordis", "Eaton" and their affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail, furnished apartments, hotel properties and restaurants in Asia, North America, Australia, New Zealand and Europe. There may be circumstances where Champion REIT competes directly with Great Eagle and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Hong Kong market as Great Eagle, its subsidiaries and associates are engaged in and/or may engage in, amongst other things, the development, investment in and management of, properties in the residential, office, retail, and hotel sectors in Hong Kong and overseas. There are no non-compete agreements between Great Eagle and Champion REIT.

Estate Management Services

With respect to estate management services, Longworth and Keysen together have established a team of more than 200 full-time staff exclusively dedicated to carrying out property management services in respect of Three Garden Road and Langham Place with separate office locations and IT systems. Given the extensive experience of Longworth and Keysen in the estate management of Three Garden Road and Langham Place, the REIT Manager considers that it is in the interests of Champion REIT for the existing estate management arrangements to continue and the REIT Manager does not anticipate any significant likelihood of conflicts of interest arising between Great Eagle and Champion REIT.

Leasing and Marketing

With respect to leasing and marketing functions, the REIT Manager does not anticipate any significant likelihood of conflicts of interest arising between Great Eagle and Champion REIT because the Property Manager provides property management services (including leasing and marketing functions) in respect of Three Garden Road and Langham Place exclusively, whereas Great Eagle has its independent and separate leasing team to perform the property management functions for its own properties. The Property Manager has an office location that is separate from the other Great Eagle entities that perform leasing and marketing functions for other properties held by Great Eagle. To ensure that there is segregation of information between the Property Manager and other Great Eagle entities, the Property Manager has its own database with access and security codes different from those of Great Eagle.

Procedures to Deal with Conflicts of Interest

The REIT Manager has instituted various procedures to deal with potential conflicts of interest issues, including, but not limited to: (i) in respect of matters in which a Director has an interest, direct or indirect, in any contract or arrangement to which Champion REIT (whether through the REIT Manager or the Trustee) is a party, such interested Director shall disclose his/her interest to the Board and abstain from voting on the resolution concerned at a meeting of the Directors; (ii) the REIT Manager is a dedicated manager to Champion REIT and will not manage any other real estate investment trust or be involved in any other real property business; (iii) the majority of the Board is not related to Great Eagle and the Independent Non-executive Directors act independently for the interests of Champion REIT; (iv) the management structure of the REIT Manager includes the Audit Committee, the Nomination Committee, the Disclosures Committee and the Finance and Strategic Planning Committee to promote a high level of corporate governance and address any potential conflicts of interest with Great Eagle; (v) the REIT Manager has adopted the Compliance Manual and Operations Manual that set out detailed compliance procedures in connection with its operations; (vi) the REIT Manager has employed a team of senior management and employees on a full-time basis who will not maintain any other roles apart from their roles within the REIT Manager; and (vii) all connected party transactions are managed in accordance with the requirements set out in the REIT Code, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Champion REIT.

COMPLIANCE

During the six months ended 30 June 2021, the REIT Manager and Champion REIT have complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the 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 six months ended 30 June 2021.

The REIT Manager has adopted a Code Governing Dealings in Securities by the Management Persons (the "Code on Securities Dealings") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Management Persons include Directors, Executive Officers and the Company Secretary of the REIT Manager. The REIT Manager has made specific enquiries of the Management Persons, who have confirmed that they have complied with the required standards as set out in the Code on Securities Dealings during the six months ended 30 June 2021.

Amendments to the Trust Deed

On 4 December 2020, the REIT Code was amended to, inter alia, relax the Property Development Cap (as defined in the REIT Code) to up to 25% of the REIT's gross asset value, subject to the restrictions in the REIT Code. The enhanced flexibility can provide Champion REIT with more options in selecting acquisition targets and will enable the REIT Manager to pursue further investment opportunities for Champion REIT as and when they arise. In this connection, the REIT Manager proposed consequential amendments to the Trust Deed and an Extraordinary General Meeting of Champion REIT was convened on 20 May 2021 to seek the approval of the Unitholders on the proposed amendments to the Trust Deed to relax the Property Development Cap. A 99.99% of the votes were cast in favour of the Special Resolution. Details of the amendments were set out in the circular to the Unitholders dated 23 April 2021.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Champion REIT for the six months ended 30 June 2021 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 the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Connected Party Transactions Report

Set out below is information in respect of connected party transactions involving Champion REIT and its connected persons as defined in paragraph 8.1 of the Code on Real Estate Investment Trusts ("REIT Code") effective on 4 December 2020:

CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

The following tables set forth information on connected party transactions between Champion REIT ("Trust") and the Great Eagle Connected Persons Group for the six months ended 30 June 2021 ("Period"). The Great Eagle Connected Persons Group is defined as the connected persons of Champion REIT by virtue of their relationship (including, but not limited to, acting as director, senior executive, officer or associate (as defined under the REIT Code)) with Great Eagle.

Great Eagle Holdings Limited ("Great Eagle") is a connected person of Champion REIT by virtue of being the holding company of the REIT Manager and also being a substantial holder (as defined under the REIT Code) of Champion REIT through the direct unitholdings of its controlled corporations (including Top Domain International Limited, Keen Flow Investments Limited and Bright Form Investments Limited, each a significant holder of Champion REIT) as more particularly described under the section headed "Disclosure of Interests" in this Interim Report.

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ¹	28,224,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ²	188,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ³	4,263,000
Keyesen Property Management Services Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	4,080,000
Noodlemeen Limited	Subsidiary of Great Eagle	Leasing transaction	293,000
Noodlemeen Limited	Subsidiary of Great Eagle	Leasing related income	65,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	144,000
Keyesen Property Management Services Limited	Subsidiary of Great Eagle	Car parking fee	30,000
Total			37,287,000

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Period HK\$
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ¹	2,673,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ²	41,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ³	478,000
Keyesen Property Management Services Limited	Subsidiary of Great Eagle	Building management fee income ⁴	464,000
Noodlemeen Limited	Subsidiary of Great Eagle	Building management fee income	431,000
Total			4,087,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Period HK\$
Keyesen Property Management Services Limited	Subsidiary of Great Eagle	Estate management expense	41,436,000 ⁵
Keyesen Property Management Services Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,000
Selex Engineering Services Limited	Subsidiary of Great Eagle	Repair and maintenance services	3,614,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	566,000
Keyesen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services and other miscellaneous expense	2,733,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Property miscellaneous expense	86,000
Noodlemeen Limited	Subsidiary of Great Eagle	Promotion expense	455,000
Total			48,891,000

Connected Party Transactions Report

Notes:

1. Security deposits, by way of corporate guarantee and cash to the amount of HK\$8,236,000 and HK\$8,326,000 respectively, provided by Best Come Limited, were held by the Trust as at the Period-end date.
2. A security deposit, by way of cash of approximately HK\$117,000 provided by Eagle Asset Management (CP) Limited, was held by the Trust as at the Period-end date.
3. Security deposits, by way of bank guarantee and cash in an aggregate amount of approximately HK\$2,492,000 provided by Eagle Property Management (CP) Limited, were held by the Trust as at the Period-end date.
4. A security deposit, by way of cash of approximately HK\$1,935,000 provided by Keyesen Property Management Services Limited, was held by the Trust as at the Period-end date.
5. Out of this HK\$41,436,000 approximately HK\$40,291,000 represents the amount of reimbursement for estate management expenses paid out under the Langham Place Mall Estate Management Agreement. The remaining amount of approximately HK\$1,145,000 represents the amount of reimbursement for estate management expenses paid out under the CAF Management Agreement (in relation to the common areas/facilities of Langham Place). Both the Langham Place Mall Estate Management Agreement and the CAF Management Agreement are Pre-Existing Agreements with Keyesen Property Management Services Limited. Pursuant to the Langham Place Mall Estate Management Agreement, the Mall Estate Manager is entitled to retain at all times an amount equal to one-sixth of the annual expenditure under the approved budget for the year ended 31 December 2021 so as to enable the Mall Estate Manager to make payments under estate management expenses.

PRE-EXISTING AGREEMENTS

The following tables set forth information on the agreements previously entered into with the Great Eagle Connected Persons Group in relation to the management and operation of Three Garden Road and Langham Place (the "Properties") before the acquisition of the Properties by Champion REIT, and which will continue to subsist and be subject to annual limits of the waiver from strict compliance with the requirements and/or reporting requirements under Chapter 8 of the REIT Code.

Pre-Existing Agreements Subject to Waiver

The following Pre-Existing Agreements are among the connected party transactions with the Great Eagle Connected Persons Group as disclosed above, and dealt with as if they were connected party transactions that are subject to annual limits of the waiver from strict compliance with the requirements under Chapter 8 of the REIT Code:

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Period HK\$
Langham Place Mall Estate Management Agreement ⁵	Keyesen Property Management Services Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	40,291,000
CAF Management Agreement (in relation to the common areas/facilities of Langham Place)	Keyesen Property Management Services Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	1,145,000

Other Pre-Existing Agreements and other transactions subject to Reporting Requirements under the REIT Code

Name/Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Period HK\$
DMC (deed of mutual covenant) for Langham Place	Keysen Property Management Services Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Building management fee expense ¹	1,209,000
Office Sub-DMC (sub-deed of mutual covenant) for Langham Place Office Tower	Longworth Management Limited (as Office Sub-DMC Manager of Langham Place Office Tower)	Subsidiary of Great Eagle	Building management fee expense ²	26,643,000
Deed of Delegation	Keysen Property Management Services Limited (as DMC Manager of Langham Place)	Subsidiary of Great Eagle	Delegation of management functions of common areas/facilities	Nil
Property Management Agreement ⁶	Eagle Property Management (CP) Limited (as Property Manager of Champion REIT)	Subsidiary of Great Eagle	Leasing and marketing services and reimbursement	48,447,000 ⁴
DMC (deed of mutual covenant) for Three Garden Road	Keysen Property Management Services Limited (as DMC Sub-manager appointed by the DMC Manager of Three Garden Road)	Subsidiary of Great Eagle	Building management fee expense ³	83,125,000

Notes:

1. A management fee deposit and sinking fund of approximately HK\$716,000 was kept by Keysen Property Management Services Limited in its capacity as DMC Manager of Langham Place as at the Period-end date.
2. A management fee deposit and sinking fund of approximately HK\$12,759,000 was kept by Longworth Management Limited in its capacity as Office Sub-DMC Manager of Langham Place Office Tower as at the Period-end date.
3. A management fee deposit of approximately HK\$16,384,000 was kept by Keysen Property Management Services Limited in its capacity as DMC Sub-manager of Three Garden Road as at the Period-end date.
4. Out of this HK\$48,447,000, approximately HK\$37,793,000 represents the amount of property and lease management service fee paid, approximately HK\$6,253,000 represents the amount of rental commission paid and approximately HK\$4,401,000 represents the amount of reimbursement paid to Keysen Property Management Services Limited as delegate for operating the carparks of Langham Place and Three Garden Road.
5. The Langham Place Mall Estate Management Agreement has been renewed for a period from 24 May 2021 to 31 December 2022.
6. The Property Management Agreement has been renewed for a period from 24 May 2021 to 31 December 2022.

Connected Party Transactions Report

OTHER CONNECTED PARTY TRANSACTIONS WITH THE GREAT EAGLE CONNECTED PERSONS GROUP

Eagle Asset Management (CP) Limited, a wholly-owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. The REIT Manager is entitled to receive the following fees:

(1) REIT Manager's Fee

During the Period, the REIT Manager's fee of approximately HK\$137,213,000, being 12% of the net property income of Champion REIT (including minority-owned property) for such services rendered during the Period, is to be settled by the issuance of new Units pursuant to the Trust Deed and in the form of cash.

In 2012, the REIT Manager notified the Trustee in writing that they elected to receive 50% of the REIT Manager's fee in the form of Units and the balance of 50% in cash for the financial year 2013. As no change has been made by the REIT Manager since that time, according to Clause 11.1.2 of the Trust Deed, the structure of the REIT Manager's fee, 50% in the form of Units and 50% in cash, remains applicable to the financial year 2021. For the Period, the REIT Manager's fee, paid and payable in the form of Units, is in the amount of approximately HK\$68,606,000 and the REIT Manager's fee, paid and payable in the form of cash, is in the amount of approximately HK\$68,607,000.

(2) REIT Manager's Acquisition Fee

During the Period, pursuant to the Trust Deed, the REIT Manager's acquisition fee of approximately HK\$7,358,000, being 1% of Champion REIT's proportion share of the acquisition price of 66 Shoe Lane in London, was settled in the form of cash. Pursuant to Clause 11.2.3 of the Trust Deed, the REIT Manager reimbursed Champion REIT its proportion share of agency fee for the acquisition of approximately HK\$2,998,000.

CONNECTED PARTY TRANSACTIONS WITH THE TRUSTEE AND/OR THE TRUSTEE CONNECTED PERSONS GROUP

The following tables set forth information on the connected party transactions between Champion REIT and the Trustee and/or the Trustee Connected Persons during the Period.

Trustee Connected Persons are defined as the Trustee and companies within the same group or otherwise "associated" with the Trustee as set out in the REIT Code. The Trustee Connected Persons include directors, senior executives or officers of the Trustee and controlling entities, holding companies, subsidiaries or associated companies of the Trustee.

HSBC Group refers to The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Champion REIT).

Connected Party Transactions - Ordinary Banking and Financial Services

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Period HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	917,000
HSBC Group	Trustee Connected Persons	Bank charges	264,000
HSBC	Trustee Connected Persons	Loan and interest rate swap interest/expense	12,107,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan upfront fee and interest/expense	46,864,000
Hang Seng Bank Limited	Trustee Connected Persons	Agency fee expense	195,000

1. Hang Seng Bank Limited is a subsidiary of HSBC.

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swap contracts with HSBC during the Period. The total notional amount in respect of such swap contracts with HSBC was US\$386.4 million as at the Period-end date.

Interest rate swap contracts between CP Success Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) and HSBC expired at the Period-end date. The total notional amount in respect of such swap contracts with HSBC was HK\$1,900 million.

HSBC is one of the mandated lead arrangers under the Facility Agreement dated 14 June 2019 in respect of a HK\$850 million revolving loan facility. As at 30 June 2021, a total of HK\$850 million was drawn and outstanding.

Hang Seng Bank Limited is the mandated lead arranger under the Facility Agreement dated 26 June 2020 in respect of HK\$1,000 million term and revolving loan facilities (subsequently increased to HK\$1,300 million term and revolving loan facilities) and acts as the facility agent. As at 30 June 2021, a total of HK\$429 million was drawn and outstanding.

Hang Seng Bank Limited is one of the mandated lead arrangers under the Facility Agreement dated 8 June 2021 in respect of HK\$3,000 million term and revolving loan facilities and acts as the facility agent. As at 30 June 2021, a total of HK\$1,150 million was drawn and outstanding.

Connected Party Transactions – Others

During the Period, the trustee fee of approximately HK\$5,810,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

Connected Party Transactions Report

CONNECTED PARTY TRANSACTIONS WITH OTHER CONNECTED PERSONS

On 9 April 2021, Champion REIT (through a special purpose vehicle (the “Champion SPV”)) entered into a Joint Venture Agreement to form a joint venture for the purpose of acquiring a property situated at 66 Shoe Lane, London of which the Champion SPV holds 27% interest. Wing Tai Properties Limited, being an associate of Mr Cheng Wai Chee, Christopher (an Independent Non-executive Director of the REIT Manager), is one of the joint venture parties holding 21% interest. Accordingly, the establishment of the joint venture constituted a connected party transaction of Champion REIT under the REIT Code and the Listing Rules. The aggregate capital commitment of Champion REIT in respect of the joint venture is expected to be £69.7 million. Details of the transaction were disclosed in the announcements of Champion REIT dated 28 February 2021 and 9 April 2021 respectively.

Hong Kong, 10 August 2021

Note: All figures presented in this “Connected Party Transactions Report” have been rounded to the nearest thousand.

Disclosure of Interests

HOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OF THE REIT MANAGER, THE REIT MANAGER AND SUBSTANTIAL UNITHOLDERS

As at 30 June 2021, the following persons had interests or short positions in the Units, underlying Units and debentures of Champion REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were recorded in the register required to be kept under Schedule 3 of the Trust Deed, are as follows:

Directors and Chief Executive of the REIT Manager

Name	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Total Number of Units/ Underlying Units Held ⁹	Percentage of Issued Units ¹⁰
Lo Ka Shui	Beneficial Owner	Personal Interests	3,592,007		
	Interests of Controlled Corporations	Corporate Interests	3,989,294,097 ¹		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	19,115,000	4,012,001,104 ²	67.75
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730	13,424,730 ⁵	0.23
Wong Ka Ki, Ada	Interests of Spouse	Family Interests	400,000	400,000 ⁶	0.01
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	200,000	200,000 ⁷	0.00

REIT Manager

(also a substantial Unitholder)

Name	Total Number of Units/ Underlying Units Held ⁹	Percentage of Issued Units ¹⁰
Eagle Asset Management (CP) Limited	484,429,129	8.18

Disclosure of Interests

Substantial Unitholders

Name	Total Number of Units/ Underlying Units Held ⁹	Percentage of Issued Units ¹⁰
Great Eagle Holdings Limited (“Great Eagle”)	3,986,035,487 ³	67.32
HSBC International Trustee Limited	3,960,923,284 ⁴	66.89
HKSCC Nominees Limited	2,320,993,664 ⁸	39.20
Top Domain International Limited	1,420,416,628	23.99
Keen Flow Investments Limited	1,071,375,933	18.09
Bright Form Investments Limited	680,232,558	11.49

Notes:

- Among these 3,989,294,097 Units:
 - 50,000 Units, 940,000 Units, 589,000 Units and 1,679,610 Units were respectively held by Alexander C H Limited, Elizabeth B K Limited, Katherine B L Limited and Nicholas C N Limited, all of which are wholly-owned by Dr Lo Ka Shui who is also a director of these companies; and
 - 3,986,035,487 Units and/or underlying Units were indirectly held by Great Eagle as explained in Note 3 below. Dr Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle.
- The unitholdings of Dr Lo Ka Shui and his associates increased by 16,157,022 Units/underlying Units in aggregate as compared with the position as at 31 December 2020.
- The 3,986,035,487 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table. The following table shows the number of Units and/or underlying Units held by these companies as at 30 June 2021 and 31 December 2020 respectively:

Name	Number of Units/ Underlying Units Held As at 30 June 2021	Number of Units/ Underlying Units Held As at 31 December 2020
Top Domain International Limited	1,420,416,628	1,420,416,628
Keen Flow Investments Limited	1,071,375,933	1,071,375,933
Bright Form Investments Limited	680,232,558	680,232,558
Eagle Asset Management (CP) Limited	484,429,129	469,120,107
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	65,132,993	64,284,993
Ecobest Ventures Limited	3,095,000	3,095,000

4. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as at 7 October 2020) received from HSBC International Trustee Limited (“HITL”). When compared with the position as at 31 December 2020, the unitholdings of HITL remained unchanged.

HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 33.78% interests in Great Eagle as at 30 June 2021. Dr Lo Ka Shui (a director of the REIT Manager), Madam Lo To Lee Kwan, Mr Lo Hong Sui, Antony, Madam Law Wai Duen, Mr Lo Hong Sui, Vincent and Dr Lo Ying Sui (all being directors of Great Eagle) are among the discretionary beneficiaries of the discretionary trust. Dr Lo Ka Shui in his personal capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 29.57% voting right in the capital of Great Eagle as at 30 June 2021.

5. The unitholdings of Mr Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 31 December 2020.
6. The unitholdings of Ms Wong Ka Ki, Ada remained unchanged as compared with the position as at 31 December 2020.
7. The unitholdings of Ms Wong Mei Ling, Marina remained unchanged as compared with the position as at 31 December 2020.
8. As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited increased by 1,493,971 Units when compared with the position as at 31 December 2020.
9. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.
10. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,921,451,723 as at 30 June 2021.

Save as disclosed above, so far as is known to the REIT Manager, none of the Directors and Chief Executive of the REIT Manager and no other persons had any interests (or were deemed to be interested) and short positions in the Units, underlying Units and debentures of Champion REIT as at 30 June 2021 which were required to be notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were required to be recorded in the register kept under Schedule 3 of the Trust Deed.

HOLDINGS OF OTHER CONNECTED PERSON

As at 30 June 2021, in addition to the disclosures in the above section headed “Holdings of Directors and Chief Executive of the REIT Manager, the REIT Manager and Substantial Unitholders”, so far as the REIT Manager is aware of, the following connected person (as defined under the REIT Code) of Champion REIT, held Units and/or underlying Units of Champion REIT:

Name	Total Number of Units Held	Percentage of Issued Units ²
HSBC Group	108 ¹	0.00

Notes:

1. The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries, unless otherwise expressly stated herein) (“HSBC Group”) are connected persons by virtue of being holding company, controlling entities, subsidiaries or associated companies (as defined under the REIT Code) of the Trustee of Champion REIT according to the information available to the REIT Manager. The number of Units held by HSBC Group decreased by 2,214,359 Units as compared with the position as at 31 December 2020.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,921,451,723 as at 30 June 2021.

Save as disclosed above, the REIT Manager is not aware of any other connected persons (as defined under the REIT Code) of Champion REIT holding any Units and/or underlying Units of Champion REIT as at 30 June 2021.

Disclosure of Interests

HOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OF THE REIT MANAGER IN GREAT EAGLE HOLDINGS LIMITED AND LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

Great Eagle is the holding company of Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited (“Langham”). As at 30 June 2021, Great Eagle owned 3,986,035,487 Units and/or underlying Units (67.32%) in Champion REIT and 2,240,460,154 share stapled units (69.31%) in Langham. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency of Champion REIT, the holdings of Directors and Chief Executive of the REIT Manager in Great Eagle and Langham as at 30 June 2021 are disclosed as follows:

Great Eagle

Name of Directors and Chief Executive of the REIT Manager	Capacity	Nature of Interests	Number of Ordinary Shares Held	Number of Underlying Shares Held ¹	Total Number of Ordinary Shares/ Underlying Shares Held
Lo Ka Shui	Beneficial Owner	Personal Interests	61,069,517	2,678,000	
	Interests of Controlled Corporations	Corporate Interests	90,597,826		
	Founder of a Discretionary Trust	Trust Interests	64,472,192		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926		
Ip Yuk Keung, Albert	Beneficial Owner	Personal Interests	60,000		60,000
Wong Ka Ki, Ada	Beneficial Owner	Personal Interests	20,909	560,000	580,909
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	27,000	307,000	334,000

Langham

Name of Directors and Chief Executive of the REIT Manager	Capacity	Nature of Interests	Number of Share Stapled Units/ Underlying Share Stapled Units Held	Total Number of Share Stapled Units/ Underlying Share Stapled Units Held
Lo Ka Shui	Beneficial Owner	Personal Interests	31,584,000	
	Interests of Controlled Corporations	Corporate Interests	2,243,550,154 ²	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	90,010,250	
Ip Yuk Keung, Albert	Interests held jointly with another person	Joint Interests	3,015,000	3,015,000
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	15,000	15,000

Notes:

- These interests were share options.
- Among these 2,243,550,154 Units: (i) 3,090,000 share stapled units of Langham were held by two companies wholly-owned by Dr Lo Ka Shui who is also a director of these companies; and (ii) 2,240,460,154 share stapled units of Langham held by Great Eagle as at 30 June 2021 were deemed to be interested by Dr Lo Ka Shui by virtue of being a substantial shareholder, the Chairman and Managing Director of Great Eagle.

Other Information

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 arising from the real estate owned by Champion REIT of approximately HK\$69 million payable by Champion REIT for the six months ended 31 December 2020.

Except for the above, no new Units were issued during the six months ended 30 June 2021. 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 REIT Code) during the six months ended 30 June 2021. Nevertheless, on 9 April 2021, Champion REIT acquired 27% shareholding interest in a joint venture (the "Joint Venture") which held 100% of the entire share capital of HPREF Athene Investment S.à 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 (the "Property"). The REIT Manager treated Champion REIT's 27% investment in the Property (through the Joint Venture) as a Non-qualified Minority-owned Property as permitted under the REIT Code. 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 Investments¹ 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 ²)	Mark-to-market Value (HK\$'000 ²)	Weighting of GAV ³	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 7/8 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%	- / Baa3 / -
CIFHG 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 ¼ 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%⁴	

Notes:

- As defined in 7.2B of the REIT Code, Relevant Investments are the financial instruments permissible from time-to-time to invest in, including (without limitation): (i) securities listed on the Stock Exchange or other internationally recognised stock exchanges; (ii) unlisted debt securities; (iii) government and other public securities; and (iv) local or overseas property funds.
- All figures presented above have been rounded to the nearest thousand.
- The weighting of gross asset value ("GAV") is by reference to the latest published accounts as adjusted for any distribution declared and any published valuation.
- The full investment portfolio of the Relevant Investments is updated monthly within five business days of the end of each calendar month on the website of Champion REIT.

Other Information

RELEVANT INVESTMENTS AND INVESTMENTS IN PROPERTY DEVELOPMENT AND RELATED ACTIVITIES

As at 30 June 2021, the portfolio of Relevant Investments represented approximately 3.05% of the gross asset value of Champion REIT. The combined value of (i) all Relevant Investments; (ii) all Non-qualified Minority-owned Properties; (iii) other ancillary investments; and (iv) all of the Property Development Costs (as defined in 7.2C of the REIT Code) represented approximately 3.52% of the gross asset value of Champion REIT as at 30 June 2021, and therefore is within the Maximum Cap, being 25% of the gross asset value of Champion REIT.

EMPLOYEES

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself.

BUY-BACK, SALE OR REDEMPTION OF CHAMPION REIT'S 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 six months ended 30 June 2021, 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 report, 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.

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Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF EAGLE ASSET MANAGEMENT (CP) LIMITED

(as Manager of Champion Real Estate Investment Trust)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Champion Real Estate Investment Trust (“Champion REIT”) and its subsidiaries set out on pages 37 to 70, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. Eagle Asset Management (CP) Limited (the “Manager” of Champion REIT) is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

10 August 2021

Condensed Consolidated Income Statement

For the six months ended 30 June 2021

	Notes	2021 HK\$'000 (unaudited)	2020 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

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss for the period, after distribution to unitholders	(1,825,985)	(9,215,468)
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	36,509	9,730
	144,592	(121,395)
Total comprehensive expense for the period	(1,681,393)	(9,336,863)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Non-current assets			
Investment properties	15	65,509,000	67,318,000
Notes receivables	16	242,571	242,524
Interests in a joint venture	17	323,194	–
Equity instruments at fair value through other comprehensive income	18	180,123	77,950
Derivative financial instruments	22	2,496	–
Total non-current assets		66,257,384	67,638,474
Current assets			
Trade and other receivables	19	318,532	316,785
Notes receivables	16	1,621,341	1,902,200
Tax recoverable		–	2,194
Short-term bank deposits	20	–	191,485
Cash and cash equivalents	20	561,284	1,642,094
Total current assets		2,501,157	4,054,758
Total assets		68,758,541	71,693,232
Current liabilities			
Trade and other payables	21	1,336,120	2,115,122
Deposits received		749,397	741,215
Derivative financial instruments	22	–	23,704
Tax liabilities		85,697	46,650
Distribution payable		710,821	752,780
Bank borrowings	23	1,987,106	3,441,549
Medium term notes	24	643,000	–
Total current liabilities		5,512,141	7,121,020
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	22	77,486	99,583
Bank borrowings	23	6,249,435	5,347,376
Medium term notes	24	6,977,371	7,608,548
Deferred tax liabilities	25	696,737	659,107
Total non-current liabilities, excluding net assets attributable to unitholders		14,001,029	13,714,614
Total liabilities, excluding net assets attributable to unitholders		19,513,170	20,835,634
Net assets attributable to unitholders		49,245,371	50,857,598
Number of units in issue ('000)	26	5,921,452	5,906,143
Net asset value per unit	27	HK\$8.32	HK\$8.61

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2021

	Issued units HK\$'000 (note 26)	Hedging reserve HK\$'000	Investment revaluation reserve HK\$'000	Others HK\$'000 (note)	Profit less distribution HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2020 (audited)	24,564,410	44,545	–	5,757,943	34,467,424	64,834,322
Loss for the period, after distribution to unitholders	–	–	–	–	(9,215,468)	(9,215,468)
Cash flow hedges	–	(121,395)	–	–	–	(121,395)
Total comprehensive expense for the period	–	(121,395)	–	–	(9,215,468)	(9,336,863)
Issue of units	73,081	–	–	–	–	73,081
Net assets attributable to unitholders as at 30 June 2020 (unaudited)	24,637,491	(76,850)	–	5,757,943	25,251,956	55,570,540
Net assets attributable to unitholders at 1 January 2021 (audited)	24,709,151	(124,386)	21,001	5,757,943	20,493,889	50,857,598
Loss for the period, after distribution to unitholders	–	–	–	–	(1,825,985)	(1,825,985)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	102,173	–	–	102,173
Cash flow hedges	–	42,631	–	–	–	42,631
Exchange differences arising on translation of foreign operations	–	–	–	(212)	–	(212)
Total comprehensive expense for the period	–	42,631	102,173	(212)	(1,825,985)	(1,681,393)
Issue of units	69,166	–	–	–	–	69,166
Net assets attributable to unitholders as at 30 June 2021 (unaudited)	24,778,317	(81,755)	123,174	5,757,731	18,667,904	49,245,371

Note: "Others" represent

- (i) Excess of fair value of property interests acquired over acquisition costs from unitholders amounting to HK\$5,752,658,000 in prior years;
- (ii) Pursuant to the Deed of Amendment of Distribution Entitlement Waiver Deed dated 14 February 2008, the undertakings made by Top Domain International Limited, a wholly owned subsidiary of Great Eagle Holdings Limited ("Great Eagle"), under the Distribution Entitlement Waiver Deed dated 26 April 2006 in respect of distribution periods in 2008 ceased to be effective in consideration of a total amount of HK\$86,185,000, of which HK\$5,285,000 was retained; and
- (iii) Exchange translation reserve of HK\$212,000 as at 30 June 2021 (2020: HK\$nil).

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Operating activities		
Loss before tax and distribution to unitholders	(983,246)	(8,351,550)
Adjustments for:		
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
Manager's fee payable in units	68,606	71,660
Share of results of a joint venture	(25,790)	–
Other income	(45,940)	(21,195)
Finance costs	229,873	231,993
Exchange difference	(91)	1,146
Operating cash flow before movements in working capital	1,052,412	1,106,558
Decrease (increase) in trade and other receivables	7,540	(82,501)
Increase in trade and other payables	5,407	53,697
Increase (decrease) in deposits received	8,182	(38,236)
Cash generated from operations	1,073,541	1,039,518
Interest paid	(224,566)	(231,323)
Hong Kong Profits Tax paid	(53,047)	(269,052)
Net cash from operating activities	795,928	539,143
Investing activities		
Interest received	24,387	28,100
Dividend received	387	–
Additions to notes receivables	(775,350)	(38,747)
Advance to a joint venture	(297,616)	–
Redemption of notes receivables	295,610	–
Release of time deposit with original maturity over three months	191,485	200,000
Placement of time deposits with original maturity over three months	–	(610,028)
Net cash used in investing activities	(561,097)	(420,675)
Financing activities		
Distribution paid	(752,616)	(783,215)
Repayment of bank loan	(3,450,000)	–
New bank loans raised	2,912,475	200,000
Bank origination fee paid	(25,500)	(13,600)
Proceeds from issuance of medium term notes	–	2,325,450
Issuance cost of medium term notes	–	(37,684)
Redemption of medium term notes	–	(200,000)
Net cash (used in) from financing activities	(1,315,641)	1,490,951
Net (decrease) increase in cash and cash equivalents	(1,080,810)	1,609,419
Cash and cash equivalents at beginning of the period	1,642,094	1,761,655
Cash and cash equivalents at end of the period, represented by bank balances and cash	561,284	3,371,074

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, the First Amending and Restating Deed dated 21 April 2021 and the Supplemental Deed as amended from time to time (the "Trust Deed"), entered into between 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 ("HKICPA") and the relevant disclosure requirements set out in Appendix C of the REIT Code.

At 30 June 2021, the Group's net current liabilities amounted to HK\$3,010,984,000. The Manager is of the opinion that, taking into account the internal financial resources and availability of undrawn loan 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.

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. During the current period, as the economic environment remain uncertain, the condensed consolidated results of operations and fair value of the investment properties were impacted.

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 (“HKFRSs”) 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.

3.1 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 periods 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

Except as described below, 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.

3.1.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Application of amendments to HKFRSs (Continued)

3.1.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” (Continued)

Accounting policies (Continued)

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

3.1.2 Transition and summary of effects

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for medium term notes and bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2021.

3.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the interim period.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the joint venture. When the Group’s share of losses of a joint venture exceeds the Group’s interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Accounting policies newly applied by the Group (Continued)

Investment in a joint venture (Continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Asset ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9 Financial Instruments, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the condensed consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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.

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)	Consolidated HK\$'000 (unaudited)
Segment revenue	808,739	202,333	386,248	1,397,320
Segment results - Net property income	664,924	161,770	310,436	1,137,130
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				(983,246)
Income taxes				(131,918)
Loss for the period, before distribution to unitholders				(1,115,164)
Distribution to unitholders				(710,821)
Loss for the period, after distribution to unitholders				(1,825,985)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Decrease in fair value of investment properties	(1,138,000)	(101,000)	(570,000)	(1,809,000)

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)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

Set out below is the reconciliation of the revenue from contracts with customers for the periods with the amounts disclosed in the segment information.

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)	Consolidated HK\$'000 (unaudited)
Building management fee income	74,171	24,176	39,392	137,739
Rental related income	4,668	69	19,501	24,238
Revenue from contracts with customers	78,839	24,245	58,893	161,977
Rental income and rental related income	729,900	178,088	327,355	1,235,343
Segment revenue	808,739	202,333	386,248	1,397,320

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)
Building management fee income	77,790	26,376	41,413	145,579
Rental related income	286	148	7,738	8,172
Revenue from contracts with customers	78,076	26,524	49,151	153,751
Rental income and rental related income	769,472	193,897	370,720	1,334,089
Segment revenue	847,548	220,421	419,871	1,487,840

The timing of revenue recognition of building management fee income and rental related income is over time.

Total revenue arising from leases for the six months ended 30 June 2021 includes variable lease payments that do not depend on an index or a rate of HK\$14,717,000 (2020: HK\$8,879,000), the remaining amounts are lease payments that are fixed.

4. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

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

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

6. PROPERTY OPERATING EXPENSES

	2021 HK\$'000 (unaudited)	2020 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	2,611	500
	260,190	293,507

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. OTHER INCOME

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

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.

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Manager's fee:		
In the form of units	68,606	71,660
In the form of cash	68,607	71,660
	137,213	143,320

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

	2021 HK\$'000 (unaudited)	2020 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	3,152	727
	229,873	231,993

10. LOSS BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2021 HK\$'000 (unaudited)	2020 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	(91)	1,146

11. INCOME TAXES

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current year	94,288	102,976
Deferred tax		
– Current year (note 25)	37,630	37,277
	131,918	140,253

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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:

	2021 HK\$'000 (unaudited)	2020 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	37,630	37,277
Total distributable income	789,801	804,072

13. DISTRIBUTION STATEMENT

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

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) by 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. INVESTMENT PROPERTIES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	67,318,000	81,178,000
Adjustment to costs accruals	–	(12,805)
Decrease in fair value	(1,809,000)	(13,847,195)
At the end of the period/year	65,509,000	67,318,000

The fair value of the Group's investment properties at 30 June 2021 and 31 December 2020 has been arrived at on the basis of valuation carried out by Cushman & Wakefield Limited and Colliers International (Hong Kong) Ltd., independent qualified professional valuers not connected to the Group, respectively. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The capitalisation rates for the retail and office accommodation range from 4.00% to 4.35% (31 December 2020: 4.00% to 4.35%) and 3.70% to 4.10% (31 December 2020: 3.70% to 4.10%), respectively and negatively correlated to the fair value of the investment properties.

The fair value of the Group's investment properties as at 30 June 2021 and 31 December 2020 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety. Level 3 inputs are unobservable inputs for the asset or liability.

The Group's leasehold property interests, which are located in Hong Kong, are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 December 2020, certain investment properties with total fair value of HK\$20,979,500,000 have been pledged as security for certain credit facilities as detailed in note 23.

16. NOTES RECEIVABLES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Shown under non-current assets	242,571	242,524
Shown under current assets	1,621,341	1,902,200
	1,863,912	2,144,724

As at 30 June 2021, the Group held unsecured bonds with aggregate carrying amounts of HK\$1,863,912,000 (31 December 2020: HK\$2,144,724,000), which are denominated in United States dollar ("US\$") with nominal values ranging from US\$500,000 to US\$100,000,000 (31 December 2020: US\$400,000 to US\$100,000,000). The unsecured bonds bear interest at fixed interest rates ranging from 3.75% to 11.50% (31 December 2020: 3.75% to 11.50%) per annum and have maturity dates ranging from September 2021 to October 2025 (31 December 2020: January 2021 to October 2025).

17. INTERESTS IN A JOINT VENTURE

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Cost of investments in a joint venture	–	–
Share of post-acquisition results and other comprehensive income	25,578	–
	25,578	–
Amount due from a joint venture	297,616	–
	323,194	–

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 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% (27 shares out of 100 shares at USD1 each) shareholding interest in Athene Investment.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. INTERESTS IN A JOINT VENTURE (CONTINUED)

Material information regarding the joint venture are as follows:

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

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2021, the Group had equity securities listed in Hong Kong with a carrying amount of HK\$180,123,000 (31 December 2020: HK\$77,950,000). All the listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets.

19. TRADE AND OTHER RECEIVABLES

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

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

19. 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 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
0 - 3 months	6,616	30,777
3 - 6 months	11,333	16,670
Over 6 months	35,140	11,957
	53,089	59,404

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$39,000 (31 December 2020: HK\$5,993,000), HK\$8,882,000 (31 December 2020: HK\$15,813,000) and HK\$33,452,000 (31 December 2020: HK\$11,703,000) which are past due within three months, three to six months and over six months respectively at the reporting date were related to arrangements for deferring lease payments.

20. SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Short-term bank deposits with original maturity of more than three months	–	191,485
Bank balances	406,024	1,211,969
Short-term bank deposits with original maturity of less than three months	155,260	430,125
Cash and cash equivalents	561,284	1,642,094
	561,284	1,833,579

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

Short-term bank deposits and bank balances and cash are denominated in the following currencies:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
HK\$	372,963	701,131
USD	174,182	1,132,448
GBP	14,139	–
	561,284	1,833,579

Cash at bank carry interest at market rates of 0.001% (31 December 2020: 0.001% to 0.30%) per annum. Short-term bank deposits with original maturity of less than three months carry interest at a market rate of 0.40% (31 December 2020: ranging from 0.37% to 0.69%) per annum. As at 31 December 2020, short-term bank deposits with original maturity of more than three months carry interest at a market rate of 1.05% per annum.

As at 31 December 2020, the Group has designated bank deposit of HK\$775,350,000 which was subsequently utilised in January 2021 for the settlement of the consideration payable in relation to notes receivable acquired in December 2020.

21. TRADE AND OTHER PAYABLES

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

- (i) 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.
- (ii) The accrual of stamp duty is based on the current stamp duty rate of 4.25% (31 December 2020: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road upon listing.

21. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Derivative as assets		
Designated as cash flow hedge		
– cross currency swaps (note ii)	2,496	–
<i>Analysed for reporting purpose:</i>		
Shown under non-current assets	2,496	–
Derivative as liabilities		
Designated as cash flow hedge		
– interest rate swaps (note i)	73,674	122,115
– cross currency swaps (note ii)	3,812	1,172
	77,486	123,287
<i>Analysed for reporting purpose:</i>		
Shown under current liabilities	–	23,704
Shown under non-current liabilities	77,486	99,583
	77,486	123,287

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Interest rate swap

As at 30 June 2021, the Group entered into interest rate swap contracts to minimise its exposure to fluctuations in interest rates of its bank borrowings which bear interest at a floating rate of HIBOR plus 0.95% (31 December 2020: HOBOR plus 0.95%) per annum. The critical terms of the interest rate swaps and the corresponding bank borrowings are identical and the Manager considered that the interest rate swap contracts were highly effective hedging instruments and qualified as cash flow hedges.

	At 30 June 2021 (unaudited)	At 31 December 2020 (audited)
Carrying amount (HK\$'000)	(73,674)	(122,115)
Notional amount (HK\$'000)	2,900,000	6,350,000
Maturity date	28 June 2024	28 June 2021 to 28 June 2024
Change in fair value of hedging instruments during the period/year (HK\$'000)	7,740	(184,977)
Change in value of hedged item used to determine hedge effectiveness during the period/year (HK\$'000)	(7,740)	184,977
Weighted average swap rate (before interest margin)	1.27%	1.42%

(ii) Cross currency swap

As at 30 June 2021, the Group entered into cross currency swap contracts to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of certain of its medium term notes denominated in US\$. The critical terms of the cross currency swaps and the corresponding medium term notes are identical and the Manager considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

	At 30 June 2021 (unaudited)	At 31 December 2020 (audited)
Carrying amount (HK\$'000)	(1,316)	(1,172)
Notional amount (US\$'000)	446,400	386,400
Maturity date	17 January 2023 to 15 June 2030	17 January 2023
Change in fair value of hedging instruments during the period/year (HK\$'000)	(1,618)	(27,678)
Change in value of hedged item used to determine hedge effectiveness during the period/year (HK\$'000)	1,618	27,678
Weighted average exchange rate (US\$: HK\$)	7.7597	7.7595

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Hedging reserve

	Interest rate swap HK\$'000	Cross currency swaps HK\$'000	Total hedging reserve HK\$'000
At as 1 January 2020 (audited)	33,692	10,853	44,545
Fair value adjustments on interest rate swaps and cross currency swaps designated as cash flow hedge	(184,977)	(27,678)	(212,655)
Reclassification of fair value adjustment to profit or loss	29,736	13,988	43,724
As at 31 December 2020 (audited)	(121,549)	(2,837)	(124,386)
Fair value adjustments on interest rate swaps and cross currency swaps designated as cash flow hedge	7,740	(1,618)	6,122
Reclassification of fair value adjustment to profit or loss	40,321	(3,812)	36,509
As at 30 June 2021 (unaudited)	(73,488)	(8,267)	(81,755)

The fair values of the above derivatives are based on the valuations provided by the counterparty financial institutions and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. BANK BORROWINGS

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Secured term loan	–	3,450,000
Unsecured term loan	6,292,635	5,392,635
Unsecured revolving loan	2,012,475	–
	8,305,110	8,842,635
Less: unamortised front-end fees	(68,569)	(53,710)
	8,236,541	8,788,925
The maturity of bank borrowings is as follows:		
Shown under current liabilities:		
Within 1 year	1,987,106	3,441,549
Shown under non-current liabilities:		
After 2 years but within 5 years	6,249,435	5,347,376
	8,236,541	8,788,925

As at 30 June 2021, total committed loan facilities amounted to HK\$11,400,000,000 (31 December 2020: HK\$11,850,000,000), out of which HK\$8,305,110,000 (31 December 2020: HK\$8,842,635,000) were drawn and outstanding. The bank borrowings bear interest at a floating rate of HIBOR plus margins ranging from 0.91% to 0.95% per annum. The Group also entered into interest rate swaps, details of which are set out in note 22.

As security for the secured term loan granted to the Group, investment properties of the Group with an aggregate fair value of HK\$20,979,500,000 as at 31 December 2020 together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged to the banks. As at 30 June 2021, the pledge has been released upon the settlement of the bank borrowing.

24. MEDIUM TERM NOTES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Medium term notes	7,671,523	7,664,522
Origination fees	(51,152)	(55,974)
	7,620,371	7,608,548
The maturity of medium term notes is as follows:		
Shown under current liabilities:		
Within 1 year	643,000	–
Shown under non-current liabilities:		
After 1 year but within 2 years	2,992,776	643,000
After 2 years but within 5 years	1,415,275	4,400,905
After 5 years	2,569,320	2,564,643
	6,977,371	7,608,548
	7,620,371	7,608,548

With effect from 12 May 2020, the programme limit under the Group's US\$1 billion guaranteed medium term note programme was increased to US\$2 billion.

The major terms of the issued medium term notes are set out below:-

As at 30 June 2021

Principal amount	Coupon rate (per annum)
US\$686,400,000	2.95% to 3.75%
HK\$2,343,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 2.75% to 4.00%

As at 31 December 2020

Principal amount	Coupon rate (per annum)
US\$686,400,000	2.95% to 3.75%
HK\$2,343,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 2.75% to 4.00%

The Group also entered into cross currency swaps, details of which are set out in note 22.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

25. DEFERRED TAX LIABILITIES

The followings are the major component of deferred tax liabilities and assets recognised and the movements thereon during the period:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2020 (audited)	621,774	(275)	621,499
Charge (credit) to consolidated income statement during the year	37,965	(357)	37,608
As at 31 December 2020 (audited)	659,739	(632)	659,107
Charge to condensed consolidated income statement during the period	37,219	411	37,630
As at 30 June 2021 (unaudited)	696,958	(221)	696,737

26. NUMBER OF UNITS IN ISSUE

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

On 5 March 2021, 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.

27. 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).

28. 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).

29. 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).

30. CAPITAL COMMITMENT

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 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	45,083	45,083

31. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2021, 15,309,022 units (six months ended 30 June 2020: 16,044,212 units) were issued as payment for the Manager's fee for the period from 1 July 2020 to 31 December 2020, amounting to HK\$69,167,000 (six months ended 30 June 2020: HK\$73,081,000).

During the six months ended 30 June 2020, a tenant issued 8,078,927 of its shares at a prevailing market price of HK\$4.20 each as settlement of trade receivables with the same amount of HK\$33,931,000. The shares are classified as financial assets at fair value through profit or loss.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

32. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with connected and related parties:

	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Rental income			
Keysen Property Management Services Limited	(a)	4,110	4,317
Eagle Asset Management (CP) Limited	(a)	332	332
Eagle Property Management (CP) Limited	(a)	4,263	4,455
Best Come Limited	(a)	28,224	28,224
Ease Treasure Investment Limited	(a)	–	5,533
Noodlemeen Limited	(a)	293	–
Interest income			
HSBC Group ^{1,3}	(b)	917	4,032
Building management fee income			
Keysen Property Management Services Limited	(a)	464	464
Eagle Asset Management (CP) Limited	(a)	41	41
Eagle Property Management (CP) Limited	(a)	478	478
Best Come Limited	(a)	2,673	2,673
Ease Treasure Investment Limited	(a)	–	658
Noodlemeen Limited	(a)	431	–
Rental related income			
Noodlemeen Limited	(a)	65	–
Building management expenses and car park operating expenses			
Keysen Property Management Services Limited	(a)	130,170	135,348
Longworth Management Limited	(a)	26,643	26,643
Property and lease management service fee			
Eagle Property Management (CP) Limited	(a)	37,793	38,999
Rental commission			
Eagle Property Management (CP) Limited	(a)	6,253	9,115
Colliers International Agency Limited	(c)	–	9,121
Promotion expenses			
Eagle Property Management (CP) Limited	(a)	–	(11)
Noodlemeen Limited	(a)	455	–

32. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Property miscellaneous expenses			
GE (LHIL) Lessee Limited	(a)	86	83
Repairs and maintenance fee			
Selex Engineering Services Limited	(a)	548	993
Keysen Engineering Company, Limited	(a)	487	383
Keysen Property Management Services Limited	(a)	1	1
Repairs and maintenance and improvement works contracted to			
Selex Engineering Services Limited	(a)	3,614	476
Keysen Engineering Company, Limited	(a)	2,733	5,957
Keysen Property Management Services Limited	(a)	1	1
Toptech Company Limited	(a)	566	–
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited ³	(b)	5,810	6,686
HSBC Group ^{1,3}	(b)	264	85
Eagle Asset Management (CP) Limited	(a) & (g)	4,360	–
Manager's fee			
Eagle Asset Management (CP) Limited	(a) & (d)	137,213	143,320
Finance costs			
Hang Seng Bank Limited ³	(b)	26,165	53,913
HSBC ³	(b)	12,320	(185)
Valuation fee			
Colliers International (Hong Kong) Limited	(c)	–	72

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

32. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Amount due from (included in trade and other receivables)			
Keysen Property Management Services Limited	(a) & (e)	40,970	40,970
Longworth Management Limited	(a) & (e)	15,311	15,311
Amount due to (included in trade and other payables)			
Eagle Property Management (CP) Limited	(a) & (e)	13,439	13,074
Eagle Asset Management (CP) Limited	(a) & (e)	134,249	138,332
Selex Engineering Services Limited	(a) & (e)	1,322	1,256
Keysen Property Management Services Limited	(a) & (e)	28,336	10,797
Keysen Engineering Company, Limited	(a) & (e)	637	532
Toptech Co. Limited	(a) & (e)	342	1,232
Deposits placed with the Group for the lease of the Group's properties			
Eagle Property Management (CP) Limited	(a) & (f)	1,414	1,941
Keysen Property Management Services Limited	(a)	1,935	1,935
Best Come Limited	(a)	8,326	8,326
Eagle Asset Management (CP) Limited	(a)	117	117

Notes:

- (a) These companies are subsidiaries directly or indirectly held by Great Eagle Holdings Limited, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates² of the Trustee.
- (c) This company is the principal valuer of Champion REIT or its associates². With effect from 3 December 2020, the principal valuer of Champion REIT or its associates is no longer classified as Connected Person under the REIT Code.
- (d) The Manager's fee is calculated at 12% of the net property income provided that Champion REIT achieves net property income of HK\$200 million for each of the six months period ended 30 June 2021 and 30 June 2020.
- (e) The amounts due from and due to connected and related parties included in other receivables and other payables, respectively, are unsecured, interest-free and repayable on demand.
- (f) A bank guarantee of HK\$1,078,000 (31 December 2020: HK\$1,247,000) was received in lieu of deposit.
- (g) It represented acquisition fee (which is calculated at 1% of Champion REIT's pro rata share of the acquisition price of the acquired property) paid to the Manager during the period. The amount has been netted off with reimbursement of Champion REIT's pro rate share of agency fee for the acquisition.

¹ HSBC Group means HSBC and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.

² As defined in the REIT Code.

³ Connected party transactions as defined in the REIT Code.

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets/(liabilities) are determined (in particular, the valuation techniques and inputs used), as well as the level hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) to active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)		
Listed equity securities classified as equity instruments at fair value through other comprehensive income in the condensed consolidated statement of financial position	180,123	77,950	Level 1	Quoted market bid prices in an active market.
Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	(73,674)	(122,115)	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	2,496/ (3,812)	(1,172)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Levels 1 and 2 during the period.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

Investment Properties Portfolio

As at 30 June 2021

Property	Location	Year of Completion	Area of ownership (sq. ft.)	Total rentable area (sq. ft.)	Occupancy rate	Appraised value (HK\$ million)
Three Garden Road	3 Garden Road, Central, Hong Kong	1992	1,638,000	1,268,000	Office: 85.0% Retail: 100.0%	39,994.0
Langham Place Office Tower	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	703,000	703,000	91.0%	8,954.0
Langham Place Mall	8 Arygle Street, Mongkok, Kowloon, Hong Kong	2004	590,000	319,000	100.0%	16,561.0

Performance Table

	2021 (unaudited)	2020 (unaudited)	2019 (unaudited)	2018 (unaudited)	2017 (unaudited)
As at 30 June:					
Net asset value (HK\$'000)	49,245,371	55,570,540	69,241,127	64,455,513	54,420,433
Net asset value per unit (HK\$)	8.32	9.44	11.82	11.05	9.36
The highest traded price during the period (HK\$)	4.88	5.11	6.89	5.86	5.29
The highest premium of the traded price to net asset value ¹	N/A	N/A	N/A	N/A	N/A
The lowest traded price during the period (HK\$)	4.36	3.51	5.34	5.19	4.18
The highest discount of the traded price to net asset value	47.6%	62.8%	54.8%	53.0%	55.3%
For the six months ended 30 June:					
Distribution yield per unit ²	2.8%	3.0%	2.1%	2.4%	2.4%
Annualised distribution yield per unit	5.8%	6.4%	4.3%	5.1%	5.0%
Net loss/profit yield per unit ³	-4.3%	-35.8%	8.4%	15.5%	15.9%
Annualised net loss/profit yield per unit	-8.6%	-71.6%	16.7%	31.1%	31.9%

Notes:

1. The highest traded price is lower than the net asset value per unit. Accordingly, no premium of the traded price to net asset value is presented.
2. Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1200 (which calculation was set out in the Distribution Statement) for the six months ended 30 June 2021 over the traded price of HK\$4.37 as at 30 June 2021.
3. Net loss/profit yield per unit is calculated based on loss/profit for the period before distribution to unitholders per unit for the six months ended 30 June 2021 over the traded price of HK\$4.37 as at 30 June 2021.

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