

Embracing Partnership
Fostering Adaptability
2021 Annual Report





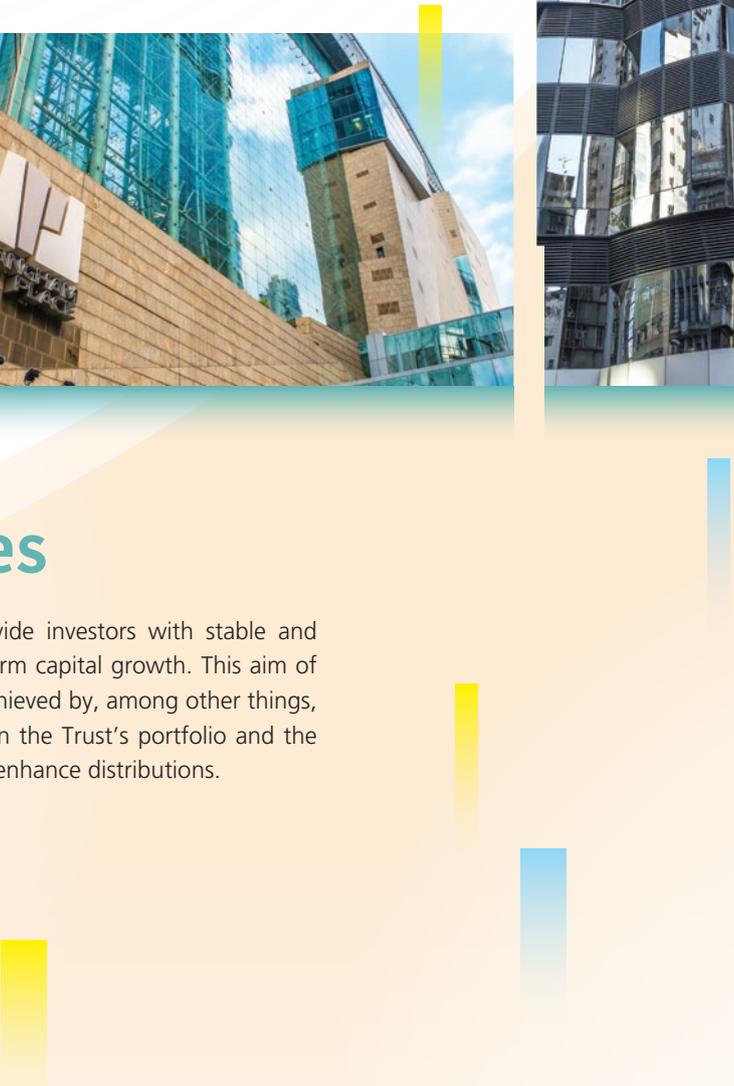
Trust Profile

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 objective is to provide investors with stable and sustainable distributions, achieving long-term capital growth. This aim of delivering 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.





Contents

Review

- 2 Timeline of Significant Events
- 3 Five Year Financial Summary
- 4 Chairman's Statement
- 6 CEO's Review
- 10 Awards and Achievements

Management

- 12 Board of Directors
- 18 Senior Management
- 22 Management Philosophy
- 23 Financial Review
- 26 Sustainable Development

Portfolio

- 30 Property Portfolio At-a-glance
- 32 Three Garden Road
- 36 Langham Place

Reports

- 44 Valuation Report
- 73 Trustee's Report
- 74 Corporate Governance Report
- 109 Connected Party Transactions Report
- 117 Disclosure of Interests

Financials

- 124 Independent Auditor's Report
- 129 Financial Statements
- 199 Major Real Estate Agents and Contractors
- 200 Performance Table

Corporate Information

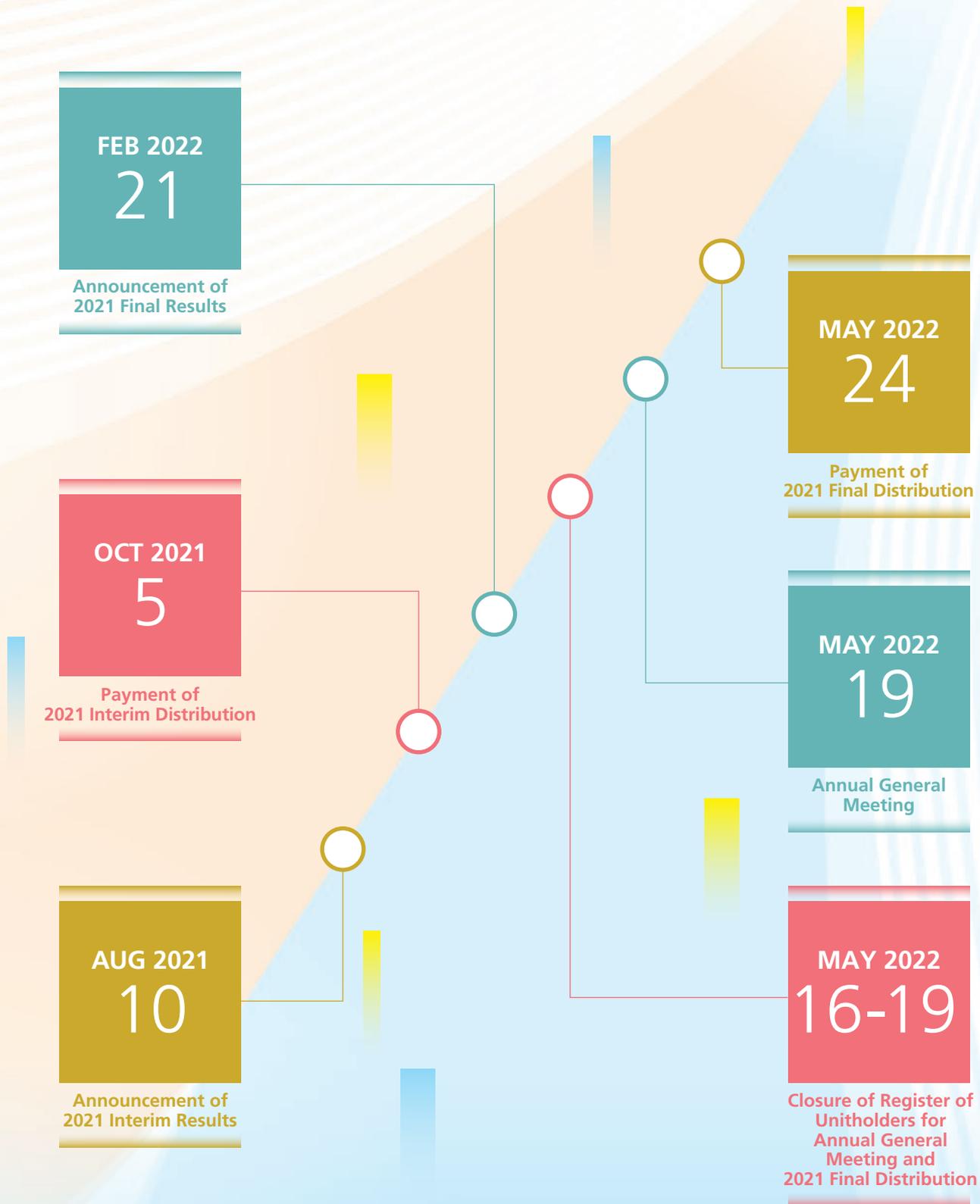


Embracing Partnership Fostering Adaptability

The design of this annual report highlights the Trust's strong enthusiasm to embrace partnership and foster adaptability amidst an era of constant changes. With lines running in parallel as the major design component, it emphasises that we stand shoulder to shoulder with our stakeholders altogether to build resilience.

To reinforce the importance of partnership, the two roads on the cover accentuate an upward direction as they converge into one from the point beyond our dynamic premises. It symbolises the Trust's commitment to forging multifaceted relationship in our discovery of infinite possibilities and quest for sustainable returns.

Timeline of Significant Events



Five Year Financial Summary

For the year ended 31 December

2017	2018	2019	2020	2021	Profit (HK\$ Million)
\$2,431	\$2,677	\$2,778	\$2,633	\$2,495	Total Rental Income
(\$265)	(\$272)	(\$298)	(\$286)	(\$298)	Net Property Operating Expenses
\$2,166	\$2,405	\$2,481	\$2,347	\$2,197	Net Property Income
2017	2018	2019	2020	2021	Distributions (HK\$)
\$1,487	\$1,611	\$1,648	\$1,554	\$1,503	Distributable Income (million)
\$1,413	\$1,530	\$1,566	\$1,476	\$1,353	Distribution Amount (million)
\$0.2424	\$0.2614	\$0.2662	\$0.2496	\$0.2279	Distribution per Unit
2017	2018	2019	2020	2021	Valuation (HK\$)
\$76,704	\$83,135	\$81,178	\$67,318	\$65,296	Gross Value of Portfolio (million)
\$10.36	\$11.42	\$11.04	\$8.61	\$8.25	Net Asset Value per Unit
2017	2018	2019	2020	2021	Financial Ratios
10.9%	10.2%	10.7%	10.9%	11.9%	Net Expense Ratio
95.0%	95.0%	95.0%	95.0%	90.0%	Payout Ratio
18.9%	17.6%	18.0%	23.0%	22.9%	Gearing Ratio
2017	2018	2019	2020	2021	Operational Statistics
94.2%	99.1%	93.0%	86.8%	89.0%	Three Garden Road Office Occupancy
\$92.5	\$98.6	\$107.8	\$110.4	\$108.3	...and Passing Rent (HK\$ psf)
97.1%	100.0%	97.7%	88.7%	96.3%	Langham Place Office Occupancy
\$40.8	\$42.7	\$46.5	\$47.7	\$47.1	...and Passing Rent (HK\$ psf)
100.0%	100.0%	100.0%	100.0%	100.0%	Langham Place Mall Occupancy
\$240.0	\$259.1	\$209.5	\$179.3	\$165.9	...and Passing Rent (HK\$ psf)

Chairman's Statement

The persistent COVID-19 pandemic continued to pose challenges to the operating environment for our business in 2021. The overall market conditions for office and retail leasing remained difficult despite improved local economy and consumer sentiment following the government consumption vouchers and relaxation of social distancing measures. The ongoing Sino-U.S. tensions together with China's regulatory changes in certain industries exacerbated the market uncertainties in 2021. Amid the gloomy market conditions, distributable income of the Trust dropped 3.3% to HK\$1,503 million (2020: HK\$1,554 million) and distribution per unit ("DPU") declined 8.7% to HK\$0.2279 (2020: HK\$0.2496), based on a 90% payout ratio (2020: 95%) to increase capital reserve for planned renovation of the Trust's properties and to prepare for the challenging market ahead.

Both the office and retail properties recorded negative rental reversion. Three Garden Road had suffered significant drop in rental level for new lettings and lease renewals. Langham Place Mall saw bigger impact with the departure of an anchor tenant. While demand from lifestyle tenants rebounded for Langham Place Office, it was not sufficient to turn around the downward trend for the property. Total rental income of the Trust declined 5.2% to HK\$2,495 million (2020: HK\$2,633 million). Net property operating expenses went up 4.1% to HK\$298 million (2020: HK\$286 million) mainly due to higher net building management expenses arising from higher average vacancy and expenses incurred by the newly opened Langham Beauty at Langham Place Mall. Net property income dropped 6.4% to HK\$2,197 million (2020: HK\$2,347 million). In 2021, the Trust recorded a share of results of a joint venture of HK\$22 million from 66 Shoe Lane in London which is considered as Non-qualified Minority-owned Property under the Code on Real Estate Investment Trusts ("REIT Code").

In 2021, the Trust achieved the milestones in sustainability financing through securing its first HK\$3.0 billion sustainability-linked credit facilities and a sustainability-linked swap. Following the refinancing of secured bank loans due in 2021, all the outstanding debt facilities were unsecured in nature. The refinancing also provided financial flexibility in the volatile business environment and a war chest for opportunities. The fixed rate debt portion lowered to 64.6% (31 December 2020: 81.0%) after the expiry of certain interest rate swaps. Cash finance cost decreased to

HK\$401 million (2020: HK\$445 million) mainly due to lower average HIBOR and the decrease in fixed rate debt portion.

The appraised value of the Trust's properties declined 3.0% to HK\$65.3 billion as at 31 December 2021 from HK\$67.3 billion as at 31 December 2020. The decrease was mainly attributable to lower rental rate assumptions. Net asset value per unit dropped to HK\$8.25 as at 31 December 2021 (31 December 2020: HK\$8.61). Gearing ratio decreased slightly to 22.9% as at 31 December 2021 from 23.0% as at 31 December 2020.

Outlook

Amid the ongoing COVID-19 pandemic, the outlook of Hong Kong office and retail property market remains uncertain and difficult. Social distancing measures would continue to affect the business of our tenants. While inflation caused by shortages of some goods due to interruptions in global supply chains may dampen consumer sentiment, potential interest rate hike could further impact the Trust's profitability. Relaxation of cross-border controls and quarantine requirements locally would be crucial for economic recovery, but the new COVID-19 variant Omicron infection wave has further delayed the government's action. However, the renewed fear has boosted the city's low vaccination rate, and hopefully it would achieve 90% before summer.

The spread of COVID-19 variants may cause corporates to switch back to working from home intermittently. It may further drive office occupiers to hold back their pent-up demand and rethink their long-term real estate strategies. As the hybrid work-place is gaining popularity among multinationals, we will adopt an accommodative strategy to cope with the trend. With new office supply coming in Central, negative rental reversion is expected to remain in 2022 for Three Garden Road and the overall downward trend for Central rental will likely persist. That said, as the first existing building to obtain WELL Platinum Certificate in Hong Kong, the property is well positioned for the growing demand from occupiers seeking environmentally and sustainability-friendly workplace.

The fresh round of social distancing measures announced in early January in 2022, including mandatory closure of fitness

centres and beauty parlours might temper the improving demand from lifestyle tenants for Langham Place Office. The current rebound in market rental at Langham Place Office may also be hindered if the measures are kept in place for a longer period. However, the improvement in occupancy will provide certain buffer for the rental income of the property. We will continue to reinforce the positioning of the property as a lifestyle and healthcare hub.

As border re-opening is still up in the air, retail tenants' business of Langham Place Mall will continue to rely on domestic consumption. We will continue to adopt a flexible leasing strategy to retain tenants and maintain a high occupancy rate. The overall rental level of the mall is expected to come under strain. Despite the unfavourable conditions, we strive to inject impetus to growth through asset enhancement and trade mix rebranding initiatives, and to give the mall fresh new look so as to attract shoppers.

Against the backdrop of stronger economic outlook and higher inflation, the US is set to increase interest rate in 2022. We will take a prudent approach in balance sheet management in a rising rate environment. We will also proactively identify yield enhancing opportunities for treasury management. We will continue to be on the lookout for attractive investment opportunities arising in the depressed market. Equipped with a sufficient reserve, The Trust stands ready to pursue acquisition opportunities globally with a goal to generate long-term returns.

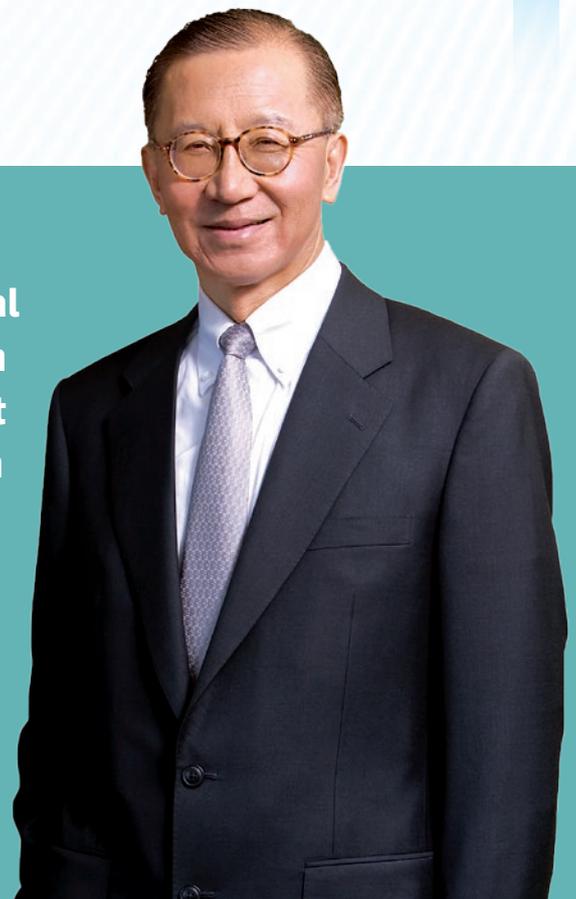
The pandemic will continue to affect the prospect of the economic outlook and operating environment of our business. Downside risks remain for the rental income and DPU of the Trust in 2022. In the new normal era, we maintain our commitment in our long-term sustainability journey and will continue to collaborate with tenants and stakeholders to weather the down cycle.

LO Ka Shui
Chairman

**In the new normal
era, we maintain
our commitment
in our long-term
sustainability
journey.**



Dr LO Ka Shui
Chairman



CEO's Review

Three Garden Road

With COVID-19 variants spreading globally, the Central office market continued to be shrouded in uncertainties. Cross-border controls amid the pandemic diminished office demand. Occupiers remained cost-cautious while deliberating their post-pandemic real estate strategies and requirements. As the pandemic subsided locally, more companies have resumed working in the office in the second half of 2021. But the presence of staff members in the office has not returned to pre-pandemic levels due to travel restrictions. Demand from new and existing tenants gradually materialised in the second half, boosting the occupancy of Three Garden Road to 89.0% as at 31 December 2021 (31 December 2020: 86.8%).

Given the availability in the Grade A Central office market and cautious approach of occupiers, landlords were generally flexible in their pricing strategies. As a result, market rent level in the district continued to come under pressure. Rental income of the property shrank by 3.8% to HK\$1,460 million (2020: HK\$1,518 million), mainly attributable to the impact of negative rental reversion. Average passing rent decreased to HK\$108.3 per sq. ft. (based on lettable area) as at 31 December 2021 (31 December 2020: HK\$110.4 per sq. ft.).

Net property income dropped 4.1% to HK\$1,313 million (2020: HK\$1,369 million) mainly due to lower rental income. Net property operating expenses maintained stable at HK\$147 million (2020: HK\$149 million). The increase in net building management expenses and repairs and maintenance expenses were offset by the lower government rent and rates and lower lease management service fee.

Langham Place Office Tower

As the pandemic became under control locally in 2021, demand and market sentiments of lifestyle tenants gradually improved. Both existing and new tenants indicated their interest in expanding and establishing their operations in Langham Place Office. The proportion of lifestyle tenants accounted for 70% as at 31 December 2021, cementing the positioning of the property as a lifestyle hub further.

While leasing momentum for lifestyle tenants gathered more steam, traditional office tenants remained cost-conscious. We observed downsizing and relocation of certain traditional office tenants. Yet the rebound in leasing momentum for beauty and healthcare tenants was encouraging, driving up the occupancy of the property to 96.3% as at 31 December 2021 (31 December 2020: 88.7%).

Despite the improvement in occupancy, the impact of negative rental reversion drove down rental income of the property to HK\$365 million (2020: HK\$378 million). Passing rents of the property declined to HK\$47.1 per sq. ft. (based on gross floor area) as at 31 December 2021 (31 December 2020: HK\$47.7 per sq. ft.). Net property income of the property declined 5.4% to HK\$327 million (2020: HK\$346 million). Net property operating expenses increased 19.2% to HK\$38 million (2020: HK\$32 million) mainly due to higher rental commission and an allowance for credit loss.

Langham Place Mall

Although Hong Kong's retail market continued to experience detrimental impact from the pandemic throughout the year, the situation stabilised considerably. Consumer sentiment revived following the relaxation of social distancing measures and the launch of the consumption voucher scheme by the government in the second half of the year. While overall Hong Kong retail sales increased 8.1%, sales from tenants of Langham Place Mall recuperated at a rate lower than the market average. This is largely due to the departure of an anchor beauty tenant and a lack of tourists under cross-border controls and quarantine requirements across the globe. Footfall of the mall jumped 12.2% compared to 2020. But mall traffic was shy of the pre-pandemic levels.

Amid the challenging environment for retail leasing, the Trust stayed committed to turning risks into opportunities. We spearheaded the Langham Beauty concept at our premises in late 2021 to house more than 60 internationally renowned beauty brands. The premium cosmetics and beauty brands not only facilitated the tenant mix management of the beauty segment but also strengthened the leasing strategy with enhanced flexibility.

The recovery in tenants' sales contributed to the growth in turnover rent portion to HK\$38 million (2020: HK\$19 million). However, this was not sufficient to reverse the overall downward trend of the mall's rental performance. The base rent portion decreased by 14.3% to HK\$575 million (2020: HK\$671 million), mainly due to effect of negative rental reversion and the dormant period after the departure of the anchor tenant for a few months. The average passing rents dropped to HK\$165.9 per sq. ft. (based on lettable area) as at 31 December 2021 (31 December 2020: HK\$179.3 per sq. ft.). Total rental income of the property went down 9.1% to HK\$670 million (2020: HK\$738 million). Some tenants were willing to start paying base rent as the local retail environment stabilised. The proportion of tenants paying turnover rent only decreased to 12% as at 31 December 2021. The mall remained fully occupied as at 31 December 2021.

While we continued to support our tenants through offering discounted cash vouchers on the eStore platform, the reliance on us to invigorate business waned as their sales recovered, driving down net promotion expenses to HK\$18 million. Net property operating expenses increased by 7.3% to HK\$114 million (2020: HK\$106 million) mainly due to increase in net building management expenses during the short-term vacancy and operating expenses incurred by the Langham Beauty initiative. Net property income decreased by 11.9% to HK\$557 million (2020: HK\$632 million).

We forged ahead to embrace change with resilience and agility to manage business continuity.



**Ms HAU Shun,
Christina**
Chief Executive Officer

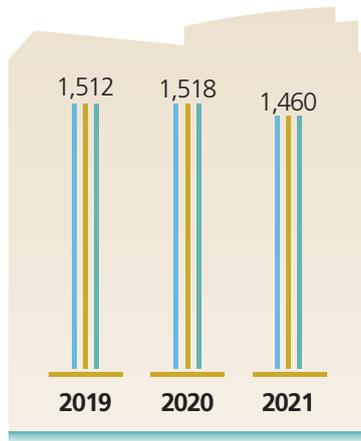


CEO's Review

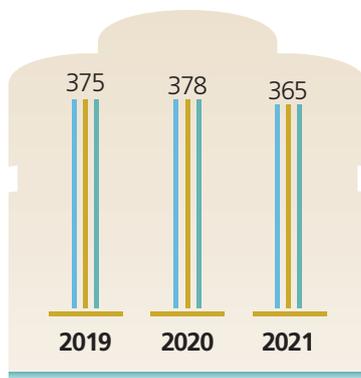
Rental Income

(HK\$ million)

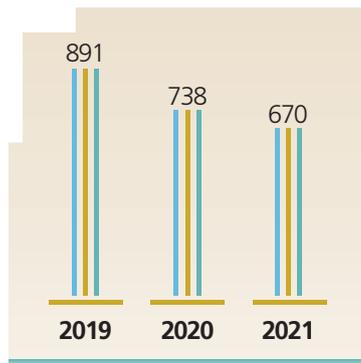
Three Garden Road



Langham Place Office Tower



Langham Place Mall



Sustainability

The Trust proactively develops its sustainability strategy and plays the role as an influencer by joining hands with its stakeholders to create more impactful outcomes for the community and environment.

In the face of unprecedented challenges posed by the pandemic, we forged ahead to embrace change with resilience and agility to manage business continuity and put people at the heart of what we do. In order to have a more comprehensive view on the Trust's performance on sustainability, we conducted a new round of stakeholder engagement and materiality review to solicit opinions from our tenants, investors and employees. The Trust's 2030 sustainability targets remained effectively integrated into its business strategies and operations.

In view of the urgency in tackling extreme climate change, we are committed to exploring mitigation solutions and adaptation opportunities. In addition to the BEAM Plus Existing Building Final Platinum Certification, Langham Place Mall was awarded the international EDGE Green Building Certification, making it the first shopping mall in Hong Kong to receive the recognition. The Trust also secured its first sustainability-linked loan and sustainability-linked swap, befitting our sustainability objectives.

The safety, health and well-being of our stakeholders have always been the Trust's top priorities. We organised multiple activities under the ongoing "Champion our Wellness" initiative. We also endeavour to foster a diverse and inclusive community by advocating gender equality and providing assistance to the needy. In this vein, we initiated the four-month Women Empowerment Programme "Champion Mothers" under which a group of mothers whose children have special educational needs can have a taste of running a business.

Looking forward, we will continue to identify and respond to the risks and opportunities relevant to our business as part of our journey of sustainable value creation. We will stand shoulder to shoulder with our stakeholders in cultivating impactful collaborations and building a more resilient future for our business and the community.

HAU Shun, Christina
Chief Executive Officer

Three Garden Road	2021 HK\$'000	2020 HK\$'000	Change
Rental Income	1,459,765	1,518,047	-3.8%
Net Property Operating Expenses	146,881	148,833	-1.3%
Net Property Income	1,312,884	1,369,214	-4.1%

Langham Place Office Tower			
Rental Income	364,781	377,604	-3.4%
Net Property Operating Expenses	37,551	31,513	+19.2%
Net Property Income	327,230	346,091	-5.4%

Langham Place Mall			
Rental Income	670,477	737,606	-9.1%
Net Property Operating Expenses	113,576	105,808	+7.3%
Net Property Income	556,901	631,798	-11.9%

Awards and Achievements

Champion REIT endeavours to place equal emphasis on business excellence and sustainable progress while positively impacting the community and environment. Our strong commitment is thus recognised by numerous prestigious accolades across various aspects, including the Grand Award at the Hong Kong Management Association's Sustainability Award 2020/21, the top honour to be bestowed for the second consecutive time.



Champion REIT

Sustainability and Corporate Governance

HKMA Sustainability Awards 2020/21

- Hong Kong Sustainability Grand Award
- Hong Kong Sustainability Award
- Special Recognition for Outstanding Sustainability Initiative (Social Dimension)
- Special Recognition for Outstanding Sustainability Initiative (Environmental Dimension)
- Special Recognition for Innovation
- Special Recognition for Best Response to COVID-19

Bloomberg Business Week/Chinese Edition

- ESG Leading Enterprises Award 2021
- Leading Social Initiative Award 2021

FinanceAsia – Asia's Best Companies 2021

2021 Most Committed to Social Causes

Corporate Governance Asia – Asian Excellence Awards 2021

- Asia's Best CSR
- Best Investor Relations Company
- Best Investor Relations Professional
- Best in Environmental Responsibility

Institute of ESG & Benchmark – 2021 ESG Benchmark Awards

- The ESG Leader – Platinum
- Outstanding ESG Company (Criteria set by Fund Managers) – Platinum

Hang Seng Corporate Sustainability Index Series

Constituent of Hang Seng Corporate Sustainability Benchmark Index

Green Real Estate Sustainability Benchmark (GRESB)

- Four-Star Green Recognition
- Grade A rating on Public Disclosure

Hong Kong ESG Reporting Awards (HERA) 2021

Newcomer Award – Commendation

Fair Trade Hong Kong – Fair Trade Award 2020

Silver Award

Corporate

Hong Kong Investor Relations Association – Investor Relations Awards 2021

- Best IR Company
- Best IRO
- Best Investor Meeting
- Best Annual Report
- 3 Years IR Awards Winning Company

Annual Report

MerComm. Inc. – International ARC Awards 2021

- Non-Traditional Annual Report – Gold
- Printing and Production – Gold
- Interior Design – Silver

Hong Kong Management Association – Best Annual Report Awards 2021

Excellence Award for Small Size Entries

International Annual Report Design Awards 2021

- Integrated presentation – Silver
- Interior Design – Silver
- Cover design – Bronze
- Overall Presentation – Bronze

Three Garden Road

Building Certification

International WELL Building Certificate

WELL Building Standard Certification – Platinum (Top Honour)

Environment

Environmental Protection Department

Commendation Scheme on Source Separation of Commercial and Industrial Waste 2020/21 – Certificate of Merit
Indoor Air Quality Certificate – Excellent Class

Water Supplies Department

Quality Water Supply Scheme Fresh Water (Management System) – Gold

Environmental Campaign Committee

– IAQwi\$e Certificate – Excellence Level
– Wastewi\$e Certificate – Excellence Level
– Energywi\$e Certificate – Excellence Level
– Hong Kong Green Organisation

The Hong Kong Chapter of IFMA

IFMA Asia Pacific Awards of Excellence 2020 (IoT On-demand Carpark Ventilation System)
– Facility Management Technology Award – Winner
– Environmental Stewardship Award – Certificate of Excellence
– Innovation Award – Certificate of Excellence

Environment Bureau

Certificate of Carbon Reduction

CIBSE Hong Kong Region

CIBSE Hong Kong Awards 2021 – Facilities Management Team Award – Merit

Safety

Hong Kong Quality Assurance Agency (HKQAA)

Anti-Epidemic Hygiene Measures Certification

Vocational Training Council

2020 Security Services Best Training Award – Gold



Langham Place

Building Certification

International Finance Corporation

EDGE Level 1: Certified

Hong Kong Green Building Council

BEAM Plus EB V2.0 Comprehensive Scheme – Final Platinum (Top Honour)

Environment

Environmental Protection Department

Indoor Air Quality Certificate – Excellent Class

Environmental Campaign Committee

– IAQwi\$e Certificate – Excellence Level
– Energywi\$e Certificate – Basic Level
– Hong Kong Green Organisation

Electrical & Mechanical Services Department

Outstanding Building Energy Efficiency Performance (Existing Building)

Water Supplies Department

Quality Water Supply Scheme for Buildings – Fresh Water (Management System) – Gold

Safety

Hong Kong Quality Assurance Agency (HKQAA)

Anti-Epidemic Hygiene Measures Certification
Business Resilience & Community Contribution Awards 2021 – Gold Seal

Vocational Training Council

2020 Security Services Best Training Award – Gold

Kowloon West Regional Crime Prevention Office

– Five-Star Managed Property Award
– Honorable Managed Property Award
– Outstanding Managed Public Carpark Award

Marketing

Marketing Magazine

The MARKies Awards 2021 – Best Use of O2O Strategy – Silver

U Magazine

My Favourite Fashion Shopping Mall Award

Metro Finance

Digital Ex 2021 – Top Ten Malls of Digital Ex Awards

Board of Directors

The Board of Eagle Asset Management (CP) Limited, the REIT Manager, principally oversees the day-to-day management of the REIT Manager's affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board will also review major financial decisions and the performance of the REIT Manager. The Board currently consists of two Non-executive Directors, two Executive Directors and four Independent Non-executive Directors.

Dr LO Ka Shui

Chairman and Non-executive Director



aged 75, 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 Science 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 HAU Shun, Christina*Chief Executive Officer and Executive Director*

aged 47, was appointed as Chief Executive Officer and Executive Director of the REIT Manager in February 2022. She also serves in the positions of Chairman of Disclosures Committee and member of the Finance and Strategic Planning Committee of the REIT Manager. Ms Hau, 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 Hau was appointed as Chief Investment Officer of the REIT Manager in February 2022. As Chief Investment Officer, Ms Hau 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 Hau 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 Hau is a Registered Architect in Hong Kong with over 23 years of experience in the real estate industry, covering design, planning, project management and asset management of renowned world-class commercial complexes. Prior to joining the REIT Manager, Ms Hau worked at Hong Kong's leading real estate listed companies overseeing the group's key Mainland China Investment Properties.

Ms Hau graduated from The Chinese University of Hong Kong with degrees in Master of Architecture and Bachelor of Social Sciences (Hons). She is a member of Hong Kong Institute of Architects and Vice-Chairman of Commercial Properties Research Association under China Real Estate Chamber of Commerce.

Board of Directors

Ms WONG Mei Ling, Marina

Non-executive Director



aged 55, 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. Ms Wong received a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and a Bachelor Degree in Accountancy from City University of Hong Kong.

Mr KWONG Chi Kwong

Executive Director



aged 62, was appointed as Executive Director of the REIT Manager in October 2021. He was Chairman of Disclosures Committee and member of the Finance and Strategic Planning Committee of the REIT Manager during the period from 11 October 2021 to 3 February 2022. Mr Kwong has been the Chief Operating Officer and Responsible Officer of the REIT Manager since its inception in 2006. He is also the Manager-In-Charge of anti-money laundering and counter-terrorist financing function as defined under the Securities and Futures Ordinance and responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the operation level for Champion REIT. Mr Kwong is also responsible for maintaining an effective risk management system for identification, evaluation, prioritising and recording as well

as communication of risks within the REIT Manager and Champion REIT as well as its key service providers in accordance with the risk management policy. Prior to joining the REIT Manager, Mr Kwong had held a variety of property portfolio management, advisory and supervisory roles in relation to the investment portfolios of the Great Eagle Group (the "GE Group") and also participated in GE Group's strategic planning in property development, leasing, marketing and promotional campaigns, improvement and renovation works, asset acquisition and enhancement of the assets held by GE Group. Mr Kwong has more than 35 years of experience in the real estate industry.

Mr Kwong holds a Bachelor of Arts degree from The University of Hong Kong.

Mr CHENG Wai Chee, Christopher*Independent Non-executive Director*

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. Mr Cheng is Chairman of Wing Tai Properties Limited (listed in Hong Kong) and 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. During the past three years,

Mr Cheng was Independent Non-executive Director of NWS Holdings Limited (listed in Hong Kong).

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*

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 has over 40 years of experience in the property sector. 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) before his retirement in 2018.

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

Board of Directors

Mr IP Yuk Keung, Albert

Independent Non-executive Director



aged 69, joined the Board of the REIT Manager as Independent Non-executive Director in 2011 and was re-designated as Non-executive Director during June 2014 to May 2021. He is currently an Independent Non-executive Director and a Member of Audit Committee of the REIT Manager. Mr Ip is an international banking executive with over 30 years of experience in the United States, Asia and Hong Kong. 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; The Hong Kong University of Science and Technology; The University of Hong Kong; The Hang Seng University of Hong Kong and The Chinese University of Hong Kong. He is also an Honorary Fellow, a Member of the International Advisory Board of College of Business and a Member of the Court 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; 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.

Mr SHEK Lai Him, Abraham
Independent Non-executive Director



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 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. He is also a Member of the Advisory Committee on Corruption of the Independent Commission Against Corruption; Director of Construction Charity Fund Integrated Service Centre Limited; and Non-Executive Director of Chinese-Italian Cultural Society Limited. Mr Shek was a Member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency during the period from 2000 to 2021. 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).

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

Senior Management

The REIT Manager, Eagle Asset Management (CP) Limited, is charged with the responsibility of managing the assets of Champion REIT for the benefit of Unitholders. It is responsible for ensuring compliance with the applicable provisions of the Code on Real Estate Investment Trusts, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and other relevant legislation.

As part of its duties, it will set the strategic direction and risk management policies of Champion REIT, appoint and supervise service providers, and initiate the acquisition, divestment or enhancement of assets. Communication with investors and other stakeholders is another role of the REIT Manager.

Ms HAU Shun, Christina

Chief Executive Officer

aged 47, Chief Executive Officer, Responsible Officer and Manager-In-Charge of overall management oversight and key business line functions as defined under the Securities and Futures Ordinance, 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 and oversees the day-to-day operations. Additionally, as Chief Investment Officer, Ms Hau is responsible for identifying and evaluating potential acquisitions or investments and for investor relations. She is also responsible for the capital structure of Champion REIT, including the planning and overseeing of capital raising activities from the market.

Biographical information on Ms Hau can be found on the page highlighting the board of directors, of which she is a member.



Mr KWONG Chi Kwong

Chief Operating Officer – Risk Management

aged 62, Responsible Officer and Manager-In-Charge of anti-money laundering and counter-terrorist financing function as defined under the Securities and Futures Ordinance, is responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the operation level for Champion REIT. Mr Kwong is also responsible for maintaining an effective risk management system for identification, evaluation, prioritising and recording as well as communication of risks within the REIT Manager and Champion REIT as well as its key service providers in accordance with the risk management policy. Mr Kwong has more than 35 years of experience in the real estate industry.

Biographical information on Mr Kwong can be found on the page highlighting the board of directors, of which he is a member.



Ms LUK Ka Ping, Amy

Investment and Investor Relations Director

aged 49, Responsible Officer as defined under the Securities and Futures Ordinance, is responsible for identifying and evaluating potential investment opportunities, overseeing the capital structure and investor relations of Champion REIT. She has over 15 years of experience in the financial industry. Before joining the REIT Manager, Ms Luk has been involved in equity research covering the Hong Kong real estate sector for over 10 years at various international financial institutions, making recommendations on equity investments.

Ms Luk holds a Master of Business Administration from the University of Rochester and a Bachelor of Business Administration from the Hong Kong University of Science and Technology. She is a Chartered Financial Analyst. She was honoured with the titles of Best Investor Relations Professional by Corporate Governance Asia and Best IRO by Hong Kong Investor Relations Association.



Mr LEUNG Kin Shan

Business Development Director

aged 37, Responsible Officer and Manager-In-Charge of finance and accounting function as defined under the Securities and Futures Ordinance, is responsible for identifying and evaluating potential business development opportunities in line with the strategy of Champion REIT and the Trust's finance function. He has over 10 years of experience in the finance industry. Prior to joining the REIT Manager, Mr Leung worked at Standard Chartered and Citigroup's investment banking division in originating and executing capital markets and M&A transactions for clients across Asia.

Mr Leung graduated from University of Michigan (Ann Arbor), with a Bachelor of Business Administration degree from Ross School of Business and a Bachelor of Arts degree from College of Literature, Science and the Arts.



Senior Management

Ms SUNG Kar Wai, Rosana

Finance Director

aged 47, a Manager-In-Charge of finance and accounting function as defined under the Securities and Futures Ordinance, is responsible for the financial reporting of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. Ms Sung is also a Director of all special purpose vehicles of Champion REIT. With more than 20 years of accounting and audit experience, Ms Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

Ms Sung holds a Master of Professional Accounting degree from the Hong Kong Polytechnic University and a Bachelor of Business Administration degree with major in Accountancy from the Chinese University of Hong Kong. She is also an associate member of Hong Kong Institute of Certified Public Accountants.



Ms YEUN Man Yee, Karen

Head of Operations

aged 49, a Manager-in-Charge of operational control and review function as defined under the Securities and Future Ordinance, is responsible for the operations matter of Champion REIT. Her duties include overseeing the operations of all properties including property management services and asset enhancement initiatives. With over 15 years' experience in properties field, Ms Yeun had worked previously for the listed Hong Kong property developers specifically in asset enhancement and property management.

Ms Yeun holds a Master of Housing Management and a Bachelor of Social Sciences degree from The University of Hong Kong. She is also a member of Hong Kong Institute of Housing.



Mr YUEN Chi Hang, Tony

Senior Internal Audit Manager

aged 47, Manager-In-Charge of operational control and review, and risk management functions as defined under the Securities and Futures Ordinance, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures the risk management and internal control systems of the REIT Manager function properly and provides internal audit reports to the Audit Committee of the Board of Directors on a regular basis. Prior to joining the REIT Manager, Mr Yuen worked as an internal auditor at a well recognised listed property company and has over 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

Mr Yuen holds a Bachelor of Commerce degree in Professional Accounting from Macquarie University. He is a CPA (Aust.), Chartered Global Management Accountant and Associate Chartered Management Accountant.



Mr YAU Kai Hung, Wilson*Senior IT Project Manager*

aged 40, Manager-In-Charge of information technology function as defined under the Securities and Futures Ordinance, is responsible for the design, development and operation of the IT systems of Champion REIT. Prior to joining the REIT Manager, Mr Yau worked for Fortune 500 and well recognised multi national companies with over 15 years of IT experience.

Mr Yau holds Master of Business from The University of Newcastle (Australia); Master of Science in Managerial Leadership from Edinburgh Napier University (UK) and Bachelor of Software Engineering from the University of Hong Kong. He is also a Fellow Certified Risk Planner, Project Management Professional, Agile Project Management Practitioner and Certified Big Data Science Professional.

**Ms LAM Katrina Lai Kuen***Compliance Manager*

aged 36, Manager-In-Charge of the compliance, anti-money laundering and counter-terrorist financing functions as defined under the Securities and Futures Ordinance, is responsible for setting the internal control policies and procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Ms Lam is also responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the trust administrative level and operation level for Champion REIT. Ms Lam has over 10 years of relevant professional experience and possesses extensive legal, compliance and company secretarial experience from her successive tenure with distinguished companies including multinational corporations, financial institutions, listed companies and private legal practices.

Ms Lam holds a Bachelor of Arts from The Chinese University of Hong Kong, and a Bachelor of Laws degree from The Manchester Metropolitan University, United Kingdom. Ms Lam is a Chartered Secretary and Chartered Governance Professional designated as fellow member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute. Ms Lam has also obtained the certification as Certified Anti-Money Laundering Specialist from The Association of Certified Anti-Money Laundering Specialists.



Management Philosophy

The REIT Manager is committed to providing Unitholders with attractive total returns in the form of stable and sustainable Distribution per Unit and long-term growth in Net Asset Value per Unit. It will achieve this through proactive asset management and selective acquisition of properties.



Asset Management Strategy

The REIT Manager, working closely with the Property Management Team, will proactively manage its properties to achieve the following goals.

Sustainability Focus

Build a strong corporate culture that integrates sustainability, and climate change considerations into decision-making processes. Such a culture will create sustainable business growth and long-term values for our stakeholders.

Maximise Rental Income

Optimise the rental income from each tenancy and, where possible, augment rental income through additional floor area, asset enhancements and turnover rent.

High Occupancy Levels

Keep occupancy levels high by maintaining high-quality services and technical standards, capitalising on targeted tenants' requirements, and actively managing tenancy expiries.

High Tenancy Renewal Rates

Maintain high tenancy renewal rates through proactive tenant relationship management and anticipation of future tenant needs. These measures will minimise rental losses due to downtime and lead to lower expenses and agency fees incurred for new tenancies.

A Quality and Diversified Tenant Base

Retain a quality tenant base built upon high covenant, multinational office occupiers and well recognised retail tenants in order to maintain a premium image for the Trust's properties and to minimise default rates.



Acquisition Strategy

The REIT Manager intends to actively pursue yield-enhancing opportunities through the addition of income-producing commercial properties. The following investment criteria will be used in the evaluation of acquisition opportunities globally.

Yield Accretion

Properties to be acquired should have either a high existing rental income or the potential for higher rental income.

Potential for Asset Growth

Macro economic factors and the potential for future changes in asset value will be assessed.

Tenant Characteristics

Rent and occupancy trends will be assessed with an emphasis on good tenant retention and default rates.

Location and Accessibility

Properties that have convenient access to public transportation networks, major roads, and pedestrian thoroughfares will be favoured.

Value-adding Opportunities

Opportunities to add value through renovation will be scrutinised. Other enhancements and proactive property management practices will also be assessed.

Building Specifications

The building specifications should be top-quality. Other aspects such as building condition, sustainability performance, climate resilience and compliance with regulations will also be examined.

Financial Review

Distributions

The total distribution amount of Champion REIT for the year was HK\$1,353 million, representing a decline of 8.4% compared to HK\$1,476 million in 2020. The total distribution amount is based on 90% (2020: 95%) of Champion REIT's distributable income.

The distribution per unit for the six months ended 31 December 2021 ("Final Distribution per Unit") was HK\$0.1082. This is subject to adjustment that may result from the issuance of any new units between 1 January 2022 and the record date. A further announcement informing unitholders of any adjustment to the Final Distribution per Unit will be made in due course.

With an Interim Distribution per Unit of HK\$0.1197 and a Final Distribution per Unit of HK\$0.1082, the Total Distribution per Unit for 2021 amounted to HK\$0.2279 (2020: HK\$0.2496). Based on the closing unit price of HK\$3.99 recorded on 31 December 2021, the Total Distribution per Unit represented a distribution yield of 5.7%.

Closure of Register of Unitholders

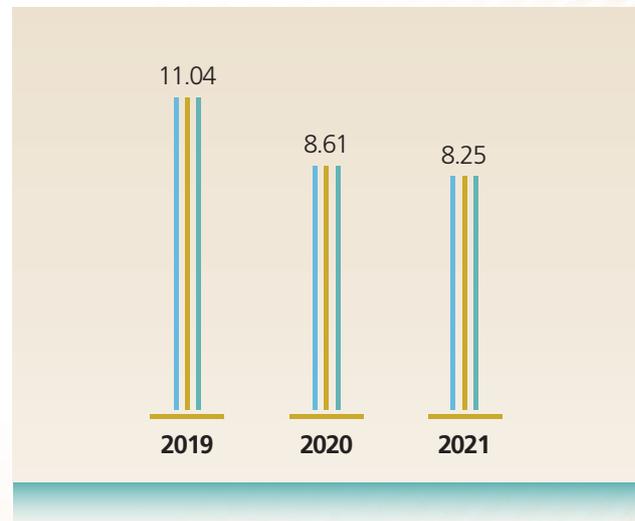
The Register of Unitholders will be closed from Monday, 16 May 2022 to Thursday, 19 May 2022 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The payment of the distribution for the six months ended 31 December 2021 will be made on Tuesday, 24 May 2022 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 31 December 2021 and be eligible to attend and vote at the 2022 Annual General Meeting to be held on Thursday, 19 May 2022, 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 Friday, 13 May 2022.

Distribution per Unit (HK\$)



Net Asset Value per Unit (HK\$)



Financial Review

Proactive Liability Management

Outstanding Debt Facilities⁽¹⁾

As at 31 December 2021
(HK\$ million)

	Fixed rate debts	Floating rate debts	Utilised facilities
Unsecured bank loans ⁽³⁾	2,900	4,798	7,698
Medium Term Notes ⁽⁴⁾	7,035	643	7,678
Total	9,935	5,441	15,376
%	64.6%	35.4%	100%

(1) All amounts are stated at face value

(2) All debt facilities were denominated in Hong Kong Dollars except (3) and (4) below

(3) (i) The Trust entered interest rate swaps contracts of notional amount of HK\$2,900 million to manage interest rate exposure; (ii) Equivalence of HK\$305 million were originally denominated in Pound Sterling

(4) (i) The Trust entered into cross currency swaps contracts of notional amount of US\$476.4 million at an average rate of HK\$7.7605 to US\$1.00 to mitigate exposure to fluctuations in exchange rate and interest rate of US dollars; (ii) Equivalence of HK\$5,335 million (after accounting for cross currency swaps) were US dollars notes

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 31 December 2021, total debt outstanding of the Trust was HK\$15.4 billion (31 December 2020: HK\$16.5 billion) and wholly on an unsecured basis. The arrangement 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 decreased from 81.0% as at 31 December 2020 to 64.6% as at 31 December 2021. The average effective interest rate for

the year, after accounting for interest rate swaps and cross currency swaps, was 2.4% (2020: 2.7%). The average life of the Trust’s outstanding debt was 3.3 years as at 31 December 2021 (2020: 3.5 years).

The Trust’s investment properties as at 31 December 2021 were appraised at a total value of HK\$65.3 billion, representing a 3.0% decrease from HK\$67.3 billion as at 31 December 2020. The Trust’s total borrowings as a percentage of its gross asset value (defined as total gross assets less distribution payable pursuant to the Trust Deed) as at 31 December 2021 decreased slightly to 22.9% (2020: 23.0%). The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 27.9% (2020: 29.1%).

Outstanding debt maturity profile⁽¹⁾

As at 31 December 2021
(HK\$ million)



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

Strengthened Liquidity Position

As at 31 December 2021, the Trust had committed debt facilities of HK\$3,702 million which remained undrawn. Together with cash and deposits of HK\$1,629 million (out of which HK\$1,120 million denominated in US\$), the Trust has sufficient liquid assets to satisfy its working capital and operating requirements.

Net Assets Value Per Unit

The Net Asset Value per Unit as at 31 December 2021 was HK\$8.25 (2020: HK\$8.61). It represented a 106.8% premium to the closing unit price of HK\$3.99 as at 31 December 2021.

Commitments

As at 31 December 2021, the Trust has authorised capital expenditure for improvement works of investment properties which was contracted for but not provided in the consolidated financial statements amounted to HK\$45 million.

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

Sustainable Development

We endeavour to embrace sustainability by playing the role as an influencer to create positive ripple effects. We join hands with our tenants, customers, staff and suppliers for creating more impactful outcomes for the community and environment.

Introduction

In this section, we will outline the Trust’s sustainability governance and core strategy – the four pillars wherein we develop our sustainability initiatives. We will also present our efforts and progress made towards reaching the goals under the blueprint of the Trust’s 2030 Environment, Social and Governance (“ESG”) targets, which were established in alignment with nine of the United Nations’ Sustainable Development Goals (“SDGs”).

A review of the Trust’s sustainability performance covering the period from 1 January 2021 to 31 December 2021 is disclosed separately in our Sustainability Report 2021. The preparation of the report follows the Stock Exchange of Hong Kong Limited (“HKEX”) ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules, and is available on our corporate website: www.championreit.com/sustainability/esg-reports.



Sustainability Governance

Board Governance

To ensure the Trust’s long-term commitment to sustainability, the Board leads the Trust’s sustainability direction while overseeing the formulation and integration of relevant policies into the Trust’s robust corporate governance structure, from management, business units to individual employees. The Board reviews and advises on all sustainability matters, which include setting the 2030 ESG targets, risk identification and management, climate resilience and other key sustainability projects, by proactively engaging in ESG task prioritisation, progress review and recommendation. Under the ever-changing landscape on the ESG trends, corresponding training were thereby arranged for the Board.

Sustainability Working Group

In view of the ever-changing landscape and the ESG-related risks, the Board has delegated the Sustainability Working Group to draw up the Trust’s sustainability agenda. The working group, chaired by the CEO, comprises veterans of different expertise across the Trust. Senior management from core functional teams, including investor relations, asset management, risk management, property management, marketing and corporate communications, work together in the group to foster our advancing sustainability journey.

The establishment of the Trust’s 2030 ESG targets, detailed consideration and implementation of various initiatives for achieving the defined targets would be the group’s mandate. Also, insights on critical sustainability topics, such as risk management, climate resilience and stakeholder engagement would be gathered for the Board, along with the progress report on other initiatives regularly for potential growth.



Achieving our long-term sustainability target would need the assistance of cross-department collaboration and involvement from every individual employee. To keep them informed, we leverage various channels to disseminate useful information about our strategies and work. Sustainability training sessions on topics related to health & safety and climate change are also provided to employees from different staff levels, in which free flow of ideas is encouraged to spark new insights.

Progress of 2030 ESG Targets

In this reporting year, we strived to reach the 14 long-term ESG targets under the 2030 blueprint for a more systematic and measurable sustainability performance with reference to nine of the United Nations' SDGs. In conjunction with internal and external stakeholders, we will review the progress annually based on the key performance indicators outlined in the sustainability report.



Aspect (respective SDGs)	Focus Area	2030 Target	2021 Progress Update
Environment 	Energy and carbon emissions 	<ul style="list-style-type: none"> 42% reduction on carbon intensity by 2030⁽¹⁾ 	<ul style="list-style-type: none"> Reduced 1.6% energy consumption and 19.5% carbon emissions respectively in 2021 Installed over 60 solar panels at both properties that will generate an estimate of 25,700 kWh renewable energy per year
	Water 	<ul style="list-style-type: none"> 25% reduction on water consumption intensity by 2030⁽²⁾ 	<ul style="list-style-type: none"> Recorded an increase of 3.9% water usage in 2021 due to more tenants resuming work in office as COVID-19 eased
	Waste 	<ul style="list-style-type: none"> Develop a well established waste tracking system to facilitate future waste management initiatives and minimise waste generated from operations 	<ul style="list-style-type: none"> Collected over 14,400 kg food waste from both properties in 2021 Collected food waste was equivalent to a reduction of 7.4 tonnes of greenhouse gas emissions

Sustainable Development

Progress of 2030 ESG Targets

Aspect (respective SDGs)	Focus Area	2030 Target	2021 Progress Update
 	Climate change 	<ul style="list-style-type: none"> Develop Climate Resilience Policy and mitigation plan Reduce impacts of climate change 	<ul style="list-style-type: none"> Reviewed climate-related risks and opportunities Drafted Managing Climate Risks and Resilience Policy and mitigation plan for specified risks as identified in the review
	Green buildings 	<ul style="list-style-type: none"> Achieve the highest rating of green building certification Adopt at least one innovation of green building features every two years Establish a Green Lease Partnership Programme 	<ul style="list-style-type: none"> Obtained Level 1: EDGE Certified (Langham Place Mall) The first property in Hong Kong to achieve EDGE Certification
Social    	Well-being 	<ul style="list-style-type: none"> Maintain IAQ Certification of Excellence Class every year for all premises Develop health and well-being policy Conduct well-being survey for both our employees and tenants 	<ul style="list-style-type: none"> Achieved IAQ Certification of excellence class for Three Garden Road and Langham Place for over 10 consecutive years Conducted employee well-being survey with improvement plan Strengthened anti-pandemic measures, including the smart applications of cleaning and sanitizing robot and UV disinfection for the handrails of escalators Arranged stretching exercise workshops for employees
	Training and development 	<ul style="list-style-type: none"> Increase 50% average training hours of our employees by 2030⁽³⁾ Develop training and development plan aligned with sustainability strategy Arrange sustainability related trainings to all Board members and employees 	<ul style="list-style-type: none"> Achieved an increase of 22.3% average training hours compared with 2020 Delivered ESG-related trainings to employees
	Safety 	<ul style="list-style-type: none"> Maintain zero fatality and work injury among our employees 	<ul style="list-style-type: none"> Reported zero fatality and work injury in 2021

Aspect (respective SDGs)	Focus Area	2030 Target	2021 Progress Update
	Stakeholder engagement 	<ul style="list-style-type: none"> • Increase 50% resources devoted to stakeholder engagement by 2030⁽³⁾ • Develop ongoing stakeholder engagement plan 	<ul style="list-style-type: none"> • Conducted a new round of stakeholder engagement exercise by an independent ESG consultant • Gained insights from stakeholders, especially investors and tenants
	Community investment 	<ul style="list-style-type: none"> • Increase 25% volunteer service hours by 2030⁽³⁾ • Measure and report impacts of community investment 	<ul style="list-style-type: none"> • Average volunteer service hours increased 7% from base year • Achieved satisfaction rate of 85% among volunteers who joined Women Empowerment Programme
	Diversity and inclusion 	<ul style="list-style-type: none"> • Promote gender equality through awareness training and sharing 	<ul style="list-style-type: none"> • Launched Women Empowerment Programme “Champion Mothers” and raised over HK\$100,000 from the charity sale • Carried out Women’s day, Mother’s Day and Father’s Day celebrations to recognise working parents
Governance  	Board 	<ul style="list-style-type: none"> • Formally set up Nomination Committee • Further enhance the Board’s involvement in sustainability matters 	<ul style="list-style-type: none"> • The Board was actively engaged in formulating sustainability strategies
	ESG Policy 	<ul style="list-style-type: none"> • Establish integrated ESG Framework and Policies • Strengthen governance through best practices of documentation and regulatory procedures 	<ul style="list-style-type: none"> • Drafted Managing Climate Risks and Resilience Policy
	Supply chain management 	<ul style="list-style-type: none"> • Develop a structured green procurement system • Conduct supply chain risk assessments 	<ul style="list-style-type: none"> • To research on supply chain assessments

(1) Tonne CO₂ / square metre; compared to base year 2011
 (2) Cubic metre / square metre; compared to base year 2014
 (3) Compared to base year 2018

Property Portfolio At-a-glance

Three Garden Road

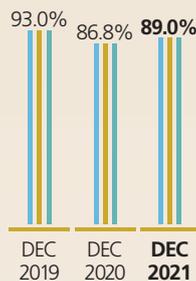


Three Garden Road is one of the largest Grade A commercial complexes in Hong Kong's Central district with a gross floor area of 1,638,000 sq. ft. It consists of a 47-storey and a 37-storey office towers linked through a podium. Built intelligently, it is capable of meeting the demanding technical specifications of global financial institutions.

Office Passing Rent
(HK\$ psf)



Office Occupancy Rate



Tenant Profile as at 31 December 2021



Langham Place Office Tower

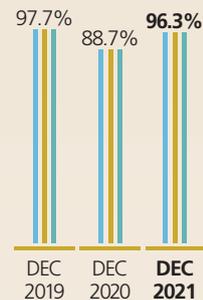


Langham Place Office Tower is a 703,000 gross sq. ft. 59-storey office tower located within the Langham Place mixed-use development. It is a Grade A office property in Mong Kok, an important transport hub in Kowloon and a busy shopping district. The building positioned as a lifestyle hub to attract lifestyle tenants, creating synergy with Langham Place Mall.

Passing Rent
(HK\$ psf)



Occupancy Rate



Tenant Profile as at 31 December 2021

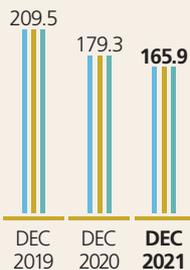


Langham Place Mall

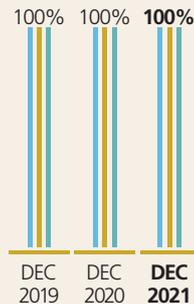


Langham Place Mall is a 15-level, 590,000 gross sq. ft. vertical mall focusing on mid-priced fashion, beauty products and food & beverage outlets. It anchors the Langham Place development and offers a unique shopping experience. The Mall has built its reputation as a trendy social and retail destination for young shoppers.

Passing Rent (HK\$ psf)



Occupancy Rate



Tenant Profile as at 31 December 2021

- 37% Fashion & Accessories
- 21% Food & Beverage
- 15% Entertainment
- 12% Health & Beauty
- 15% Others



Major Tenants of Champion REIT

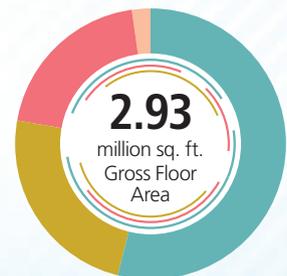
(in alphabetical order)

- Blackrock
- Bloomberg
- Citi
- EC Healthcare
- Industrial and Commercial Bank of China
- Neo Derm
- Perfect Medical
- PURE Fitness & PURE Yoga

Value as at 31 December 2021

HK\$ million	Three Garden Road	Langham Place	Sub-total
Office	38,281	8,947	47,228
Retail	601	15,879	16,480
Car Park	592	350	942
Miscellaneous	394	252	646
Total	39,868	25,428	65,296

- 54% Three Garden Road Office 1,579,900 sq. ft.
- 24% Langham Place Office 702,900 sq. ft.
- 20% Langham Place Mall 589,800 sq. ft.
- 2% Three Garden Road Retail 57,700 sq. ft.



Three Garden Road

With a gross floor area of over 1.6 million sq. ft., Three Garden Road is one of the biggest office complexes in Hong Kong. It has the flexibility of joining 26 floors of two towers, providing the most extensive available floor plate in the Central district. It is the first existing building in Hong Kong to be awarded the highest Platinum rating of WELL Building Standard.

A Wellness Hub in the Heart of the City





Prime Asset

Three Garden Road is a modern glass and steel office complex, comprising Champion Tower and ICBC Tower, a retail podium, and a three-level basement garage capable of accommodating 558 vehicles. The complex is in the Central district of Hong Kong and is well connected by an elevated walkway to the rest of the area. Nestled within the traditional banking hub of Hong Kong, the property is in close proximity to all three of Hong Kong's currency-issuing banks' headquarters.

Architectural Excellence

Three Garden Road is one of the biggest office complexes in Hong Kong, capable of serving a working population of over 10,000. The premium office complex is considered by many to be one of Central's iconic structures. Besides its two characteristic curved reflective facades, the complex contains many distinct architectural features. One being that 26 floors of the two towers are connected, yielding a total floor plate of up to 34,000 sq. ft. – the largest one available in the Central district. In recognition of its excellence in

architectural design, the Hong Kong Institute of Architects issued its highest award to Three Garden Road upon its completion.

Grade A Standard with Continuous Upgrade

Three Garden Road is an archetypal modern premium Grade A office complex. It is replete with a fiber-optic backbone wiring to facilitate the inter-floor communications, raised flooring to facilitate simplified cabling and flexibility in office configurations, and a central computerised control centre. Standing out among all Three Garden Road's attributes is its ability to be in line with stringent specifications required by multinational financial institutions. These include but not limited to security lift facilities, high redundant power supply to floor space ratios, timely emergency power supply and emergency chilled water facilities to data centres during power outages. It also operates an intelligent heat detection system to avoid any unintentional activation of sprinklers. From the environmental perspective, Three Garden Road has continually upgraded the chilled water system and the generator to optimise energy efficiency together with the

Three Garden Road

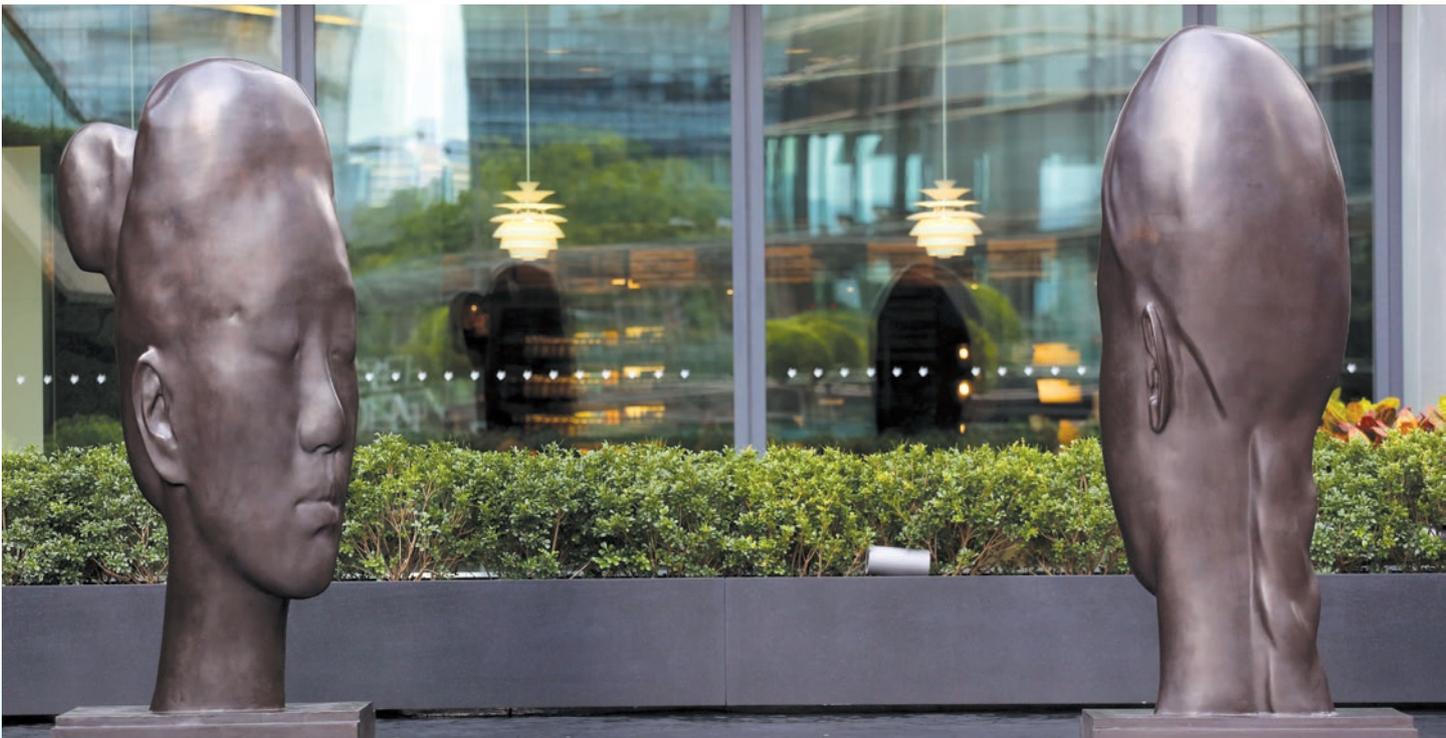
installation of solar photovoltaic (PV) system to generate renewable energy during the year. Internet of Things (IoT) technology has been extensively applied to Three Garden Road to improve environmental performance, ranging from adopting IT technology for a pioneering demand-control ventilation system in the carpark for energy saving, to smart weather station to perform retro-commissioning through collecting instant climate-related data for enhancing operation efficiency. We have also commenced our lift modernisation project, which is conducive to optimising energy efficiency, safety, reliability and user experience.

WELL Building Standard Platinum (Top Honour)

Three Garden Road achieved the Platinum rating of the WELL Building Standard, to become the first-in-Hong Kong existing building to attain the highest level of certification. Serving as a global standard created to advance the wellness of buildings, covering air, water, light, nourishment, movement, thermal comfort, sound, materials, mind and community, this recognition is a testament to Three Garden Road's commitment to pursue a favourable environment for its tenants and other stakeholders.

Three Garden Road values the quality of facility management and customer experience, with a strong belief that tenants and visitors' relaxation and cardiovascular health could contribute to its success. Three Garden Road is home to a health club, which occupies almost three floors of one of the towers. This health club features a gymnasium and a heated swimming pool, among other exercise facilities. Wellness-oriented activities, including express yoga, hand-drip coffee and herbal tea workshops, were held for tenants to promote well-being and healthy lifestyle.

Another amenity for tenants is the retail area in the podium's lower lobby hosting with various food and beverage outlets. Additionally, upscale flexible workspaces offer happy hour drinks and event space for tenants. Garden in the City, the beautiful artwork displayed on the outdoor staircase leading up to the building remains the iconic landmark of the property. Not only does this work provide a relief to viewers, it is also served to encourage tenants and visitors to take the stairs and achieve healthier lifestyle. All these wellness amenities and services provide tenants with a work-life balance environment.



Building Statistics

Assessed Value
HK\$39.9 billion

Height
205 m

Highest Floor
50

No. of Vehicle Basement Garage
558

Gross Floor Area
1,638,000 sq. ft.

Lettable Floor Area
1,225,000 sq. ft.

Lettable Retail Area
43,000 sq. ft.

Gross Floorplate
34,000 sq. ft.

Features and Amenities

- WELL Building Standard Platinum Certification
- ISO 45001 Certification
- ISO 9001 Certification
- ISO 14001 Certification
- 30,000 sq. ft. Fitness Centre
- Nine Emergency Generators (12,400 kVA)
- 40 Passenger Lifts
- Security Card Access
- Private Driveway
- Private Taxi Stand
- Electric Vehicle Charging Stations
- Shuttle Bus Service
- Internal Loading Dock
- 10-storey Lobby Atrium
- Heated Swimming Pool
- Excellent Class Certificate of IAQ Certification Scheme for over 10 consecutive years
- Over 25% Exterior Site Area with Natural Elements

Langham Place

Langham Place Office Tower, a modern 59-storey Grade A building, is a lifestyle hub in Mong Kok. Langham Place Mall attracts many young shoppers with its hip and trendy positioning.

Reinventing Lifestyle Experiences





Premium Asset, Prime Location

Langham Place is an integrated commercial development comprising a 59-storey Grade A office tower, a 15-storey shopping mall, a 250-space private carpark, and a 42-storey five-star hotel. The project occupies two entire city blocks, bordered by Argyle Street, Portland Street, Shantung Street and Reclamation Street. Completed in 2004 with a total floor area of nearly two million sq. ft., Langham Place immediately became a defining landmark of Mong Kok, being a prime retail and commercial zone. A pedestrian tunnel directly links Langham Place with the Mong Kok Interchange of the Mass Transit Railway. The portion of Langham Place that Champion REIT owns is the entire Langham Place Mall, the carpark, and all but four floors of the Langham Place Office Tower, altogether equivalent to approximately 93.6% of the lettable area of the non-hotel portion of Langham Place.

Lifestyle Hub in Mong Kok

Over the years, Langham Place Office Tower has transformed itself into a lifestyle hub. The property's strategic location in the heart of Mong Kok, a district with various forms of transportation radiating in all directions, continued to be highly valued by beauty and healthcare tenants and customers. Benefited from the building's convenient location and its neighbouring Langham Place Mall and Cordis Hotel, this 255-metre skyscraper attracts tenants from various sectors, including lifestyle, beauty and healthcare, with a synergetic connection to the Langham Place Mall. The building is covered in reflective blue glass and topped off with a large colour-changing dome, making it visible from as far as Hong Kong Island at night, against a backdrop of a sweeping panoramic view of the Kowloon skyline. Furthermore, the building contains a 70,000 sq. ft. fitness centre, allowing visitors to enjoy a lively and healthy lifestyle.

Trendsetter for Unique Retail Experiences

As a retail trendsetter, Langham Place Mall is sensitive to the latest pop culture trends and strategically created differentiated retail experiences for customers. The mall stepped up efforts in introducing various first-in-Hong Kong shops to drive local spending. An array of marketing campaigns targeting young customers were carried out at the mall, such as events that featured popular and talk-of-

Langham Place

the-town singers, influencers and cartoon characters. By taking an innovative and agile approach, Langham Place Mall keeps up with the shifting retail trends and thrives in the everchanging market.

Hip and Trendy Shopping Mall

Being one of the busiest malls in town, Langham Place Mall boasts a vast array of shop options ranging from lifestyle retailers, health, and beauty outlets, to sportswear and accessories retailers. As part of the shopping experience, the mall is highly popular among young people, with a Cineplex, a games arcade and more than 50 food and beverage outlets. Langham Place Mall remains the most impressive shopping destination, thanks to its premium location and attractive tenant mix. The excellent accessibility of Langham Place allows its tenants to outperform in their respective market.

Excellence in Design for Greater Efficiencies (“EDGE” Level 1)

The Mall is the first property in Hong Kong to be bestowed the EDGE Level 1 (post-construction) certification, a measurable and credible solution to prove green buildings’ cases, with at least 20% reduction in energy and water consumption, and embodied energy in materials.

BEAM Plus Building Standard Final Platinum (Top Honour)

Langham Place Mall attained the highest Final Platinum rating under the BEAM Plus EB V2.0 Comprehensive Scheme, a holistic approach to assess the building’s long-term environmental performance. The mall achieved excellent results with full credit in the aspect of energy usage.



Building Statistics

Assessed Value
HK\$25.4 billion

Height
255 m

Highest Floor
60

No. of Vehicle Basement Garage
250

Gross Floor Area*
1,293,000 sq. ft.

Gross Office Area*
703,000 sq. ft.

Lettable Retail Area
319,000 sq. ft.

Gross Office Floorplate
17,400 sq. ft.

* only Champion REIT's portion

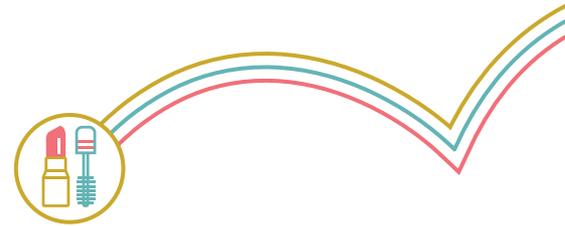
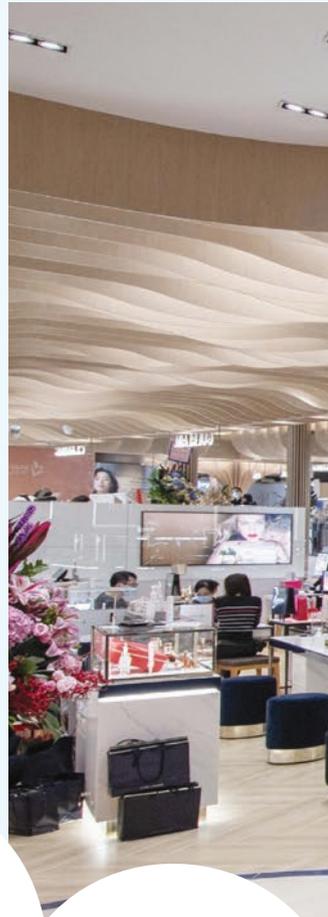
Features and Amenities

- EDGE Level 1 (Post-Construction) Certification (Langham Place Mall)
- BEAM Plus Existing Building Final Platinum Certification (Langham Place Mall)
- HK-BEAM for New Office Designs with Excellent Rating (Langham Place Office)
- ISO 45001 Certification
- ISO 9001 Certification
- ISO 14001 Certification
- 70,000 sq. ft. Fitness Centre
- 15-storey Shopping Mall
- Adjoining Five-star Hotel
- 1,100 Seat Cineplex
- Over 50 Food and Beverage Outlets
- Direct MTR Access
- 10-storey Glass Atrium
- Panoramic View of Kowloon
- Electric Vehicle Charging Stations
- Internal Loading Dock
- Excellent Class Certificate of IAQ Certification Scheme for over 10 Consecutive Years

Langham Place Mall Unfolding Possibilities in the New Normal

Despite the lingering impacts brought by the ongoing pandemic, Langham Place Mall swiftly catered to customer needs through harnessing technologies and different forms of collaborations. We strove to capture opportunities and foster sustainable development in the era of new normal.

Crafting Seamless Retail
Experiences for the
New Normal





Case Highlight: Opening of Langham Beauty for greater business diversity and synergy

Located at the eye-catching spot of Langham Place Mall and housing over 60 internationally renowned beauty brands, Langham Beauty aspires to create an exquisite customer experience with its immersive and dynamic forest-inspired interior design. It is also equipped with both physical event spaces and online platform, the eStore, which engages customers through an omnichannel shopping experience. Joining hands with premium cosmetics and beauty brands directly not only facilitates the diversification of the mall's tenant mix, but also strengthens the mall's leasing strategy with enhanced flexibilities. Furthermore, introducing more brands has a synergetic effect on the existing Langham Place Office's beauty and wellness tenants. These efforts will bring long-term sustainable business growth to the Trust.



Langham Place Mall Unfolding Possibilities in the New Normal

Achieving 100% Occupancy amid the Pandemic

Langham Place Mall regards its tenants as long-term strategic partners and works closely with them in the trying times to create a positive business environment. As the retail market remains challenging given the continuing economic uncertainty and travel restrictions, the mall curated a variety of sales-driven campaigns that stimulated local consumer sentiment and footfall. Our team proactively listened to the voices of our tenants and facilitated their needs with great flexibility. Langham Place Mall remained fully occupied as at 31 December 2021.



Addressing Stakeholders' Needs with Nimbleness

We are committed to turning risks into opportunities by quickly shifting customers' focus to capture local consumption. We adopted flexible leasing strategy and supported tenants through offering discounted cash vouchers on the eStore platform. While ramping our efforts to drive more traffic and sales, the mall keeps the customers and tenants' health and safety in mind. To this end, smart applications of hygiene measures, such as UV disinfection for escalator handrails and cleaning robots, remain in place to maintain a safe and reliable environment.

Redefining New Shopping Experiences

On the basis of LP CLUB loyalty programme, Langham Place Mall revamped the existing mobile application during the year, adding the bonus point self-registration function, through which members can upload sales receipts to earn bonus points with no time and venue constraints. To leverage the Government Consumption Voucher Scheme, Langham Place Mall organised the "Lucky Place Spend & Win" Lucky Draw Campaign with the aim to drive more incentive and convenience.

All-rounded Member Experiences to Double Sales

Aside from a series of incentives launched for recruiting members, including promotion code offer, birthday gifts and exclusive privileges, the mall is aware of the increasing pursuit of physical and mental health among spenders, thus crossover with different parties, such as illustrators and some local wellness brands, to advocate this concept as well as responding to customers' concern. Equipped with the above innovative experiences, the spending figure of members has doubled compared with 2020. Looking forward, the mall will continue to devote more resources to the programme whilst discovering ways to enhance the mobile application, hoping to elevate the overall customers' shopping experiences.



Compelling Marketing Campaigns with Innovative Spirits

Langham Place Mall always aspires to maintain a cutting edge in keeping abreast of the latest trends by any means necessary, including rolling out a number of brand new yet engaging marketing campaigns to create better customers' physical experience and boost on-the-spot purchase.

During summer, the mall joined hands with the trendy toy platform kkplus to host the "kkplus in Vaporwave" toy exhibition to walk the visitors through the time tunnels. Equipped with neon lights, different collectible toys, retro arcades and cassette tapes, the exhibition instilled a sense of reminiscence of the old Hong Kong and past childhood.

Upon the overwhelming response to the MIRROR mask sales launched by MOOV, the first MOOV x MIRROR Mask Pop-up Store has been put in place at the mall, together with the hottest boy band's stylish photos specially taken for this event. The random show-up of the boy band's members throughout a few weeks has attracted hundreds of fans on site, pushing up the mall's footfall.

To wrap up the year, Langham Place Mall co-hosted the "Christmas Love Sharing Music Project" with famous lyricists Chan Wing Him and Shuffle & Repeat, featuring the exhibition, as well as Christmas songs collaboration among three popular YouTube channels: Trial & Error, Pomato and FHProductionHK, and three artist groups: MC Cheung, Gareth T. and KOLOR, aiming to celebrate the festival with visitors above and below the line.

Valuation Report



27/F One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

28 January 2022

Eagle Asset Management (CP) Limited

(as the Manager of Champion Real Estate Investment Trust) ("the Manager")

Suite 3008, 30/F, Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong,

HSBC Institutional Trust Services (Asia) Limited

(as the trustee of Champion REIT) ("the Trustee")

17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road
Kowloon

Dear Sirs,

Re: Three Garden Road, Central, Hong Kong (the "Property")

Instructions, Purpose & Valuation Date

We refer to your instructions for us to carry out a market valuation of the Property for financial reporting purpose. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 31 December 2021 (the "Valuation Date").

Basis of Valuation

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Standards

The valuation has been carried out in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Paragraph 6.8 of Chapter 6 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in December 2020.

Valuation Methodology

In the course of our valuation, we have adopted the Income Approach and applied the Term and Reversion Method. We capitalized the passing rents for the unexpired terms of the existing leases to arrive at a "term value". We then formed an opinion on the current market rent of the Property based on our research on recent comparable leasing transactions. This will be the rent which the Property will fetch upon expiry of the existing leases, if there is no material change in the market conditions between now and then. We capitalized such market rent by the prevailing market yield to give a "reversion value" of the Property. The market value of the Property equals to the sum of the present values of the term and reversion values. Our adopted capitalisation rates for the retail and office accommodations are 4.35% and 3.7%, respectively.

In addition, we have cross-checked the result by the Market Approach assuming sale of the Property in its existing state and by making reference to comparable sale transactions as available in the market.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Source of Information

We have relied to a very considerable extent on the information given by the Manager and have accepted advice given to us on such matters as tenancy schedules, statutory notices, easements, tenure, identification of property, particulars of occupancy, floor areas, floor plans and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Manager and are therefore only approximations. No on-site measurement has been carried out.

We have also been advised by the Manager that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable.

Title Investigation

We have not been provided with copies of the title documents relating to the Property but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Valuation Report

Site Inspection

Our valuer, Amy Ho (MRICS, MHKIS, RPS(GP)) inspected the exterior and wherever possible interior of the Property on 17 December 2021. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No test was carried out on any of the services. Our valuation have been prepared on the assumption that these aspects are satisfactory.

Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Property and we are independent of Champion REIT, the Trustee and the Manager.
- We are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of property.
- The valuation has been prepared on a fair and unbiased basis.

Savings Clause and assumptions

We have made the following assumptions:

- All information on the Property provided by the Manager is correct.
- The Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules and sample of tenancy agreement and licence agreement by the Manager. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- As instructed, we have relied upon carpark numbers as advised by the Manager. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.
- No acquisition costs or disposal costs have been taken into account in the valuation.
- The Government Lease will be renewed upon expiry on normal terms.

Finally and in accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Our valuation report is hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
K. B. Wong
MRICS, FHKIS, RPS(GP)
Executive Director
Valuation & Advisory Services, Hong Kong

Note: Mr K. B. Wong is a Member of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor who has over 35 years of experience in the professional property valuation and advisory services in Hong Kong. Mr Wong has sufficient knowledge of the market and the skills and understanding to undertake the valuation competently.

Valuation Report

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2021	Estimated Net Property Yield																														
Three Garden Road, Central, Hong Kong (the Property) (see Note (1)) 1,449,936/1,650,000th undivided parts or shares of and in Inland Lot No 8888.	<p>Three Garden Road is an office/commercial/carparking development situated in Central district. It comprises one 47-storey office block, known as Champion Tower and one 37-storey office block, known as ICBC Tower surmounting a 6-level podium (including 4 basement levels) with retail accommodation on the lower ground floor and carparking spaces in the basements. The development was completed in 1992.</p> <p>The Property comprises the whole of the retail accommodation and the whole of the office units of the development. The total floor area and the gross rentable area of the retail and office portions of the Property are approximately as follows:</p> <table border="1"> <thead> <tr> <th colspan="3">Total Floor Area</th> </tr> <tr> <th>Use</th> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>5,362.41</td> <td>57,721</td> </tr> <tr> <td>Office</td> <td>146,773.78</td> <td>1,579,873</td> </tr> <tr> <td>Total</td> <td>152,136.19</td> <td>1,637,594</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">Gross Rentable Area</th> </tr> <tr> <th>Use</th> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>3,956.99</td> <td>42,593</td> </tr> <tr> <td>Office</td> <td>113,822.46</td> <td>1,225,185</td> </tr> <tr> <td>Total</td> <td>117,779.45</td> <td>1,267,778</td> </tr> </tbody> </table> <p>The Property also includes 58 private car parking spaces and a fee-paying public carpark comprising 500 car parking spaces and 50 motorcycle parking spaces in the basements.</p>	Total Floor Area			Use	sq m	sq ft	Retail	5,362.41	57,721	Office	146,773.78	1,579,873	Total	152,136.19	1,637,594	Gross Rentable Area			Use	sq m	sq ft	Retail	3,956.99	42,593	Office	113,822.46	1,225,185	Total	117,779.45	1,267,778	<p>The retail portion of the Property was let under eight tenancies for various terms with the latest expiry date in October 2025, yielding a total monthly rental income of approximately HKD2.87 million, exclusive of rates, management and air-conditioning charges. The retail tenancies, except Shop No. 5 on Lower Ground Floor, were subject to turnover rents. The average monthly turnover rent receivable during the period from May 2021 to October 2021 was approximately HKD96,000.</p> <p>With the exception of a total vacant area of 12,528.06 sq m (134,852 sq ft), the office portion of the Property was let under various tenancies for various terms with the latest expiring date in June 2026, yielding a total monthly rental income of approximately HKD119.81 million, exclusive of rates, management and air-conditioning charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then prevailing market rents.</p>	HKD39,868,000,000 (Hong Kong Dollars Thirty Nine Billion Eight Hundred and Sixty Eight Million)	3.7%
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Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2021	Estimated Net Property Yield
	<p>Inland Lot No. 8888 is held from the Government for the residue of the terms of years commencing from 3 August 1989 and expiring on 30 June 2047 under a Government lease deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in the Conditions of Sale No. 12063 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>The occupancy rates of the retail and office portions were approximately 100% and 89% respectively.</p> <p>A total of 500 carparks and 50 motorcycle parking spaces were being operated as a fee-paying public carpark and the remaining 58 carparks were occupied as private carparks and let under various licences. The total average monthly gross income receivable during the period from January 2021 to November 2021 was approximately HKD1.59 million, inclusive of rates and management fees.</p> <p>Various spaces for cellular phone systems were let under three licences for various terms with the latest expiry date in September 2023, yielding a total monthly licence fee of approximately HKD77,000, exclusive of rates and management fees.</p> <p>A satellite phone antenna, various advertising spaces, the naming right of ICBC Tower and a storeroom on 36th Floor of ICBC Tower were let under three licences with the latest expiry date in June 2026, yielding a total monthly licence fee of approximately HKD1.8 million, exclusive of rates and management fees.</p>		

Valuation Report

Notes:

- (1) The Property comprises the following portions:

Office & Health Club (ICBC Tower)	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).
Office (Champion Tower)	Whole of the Champion Tower including 3rd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors, 25th to 30th Floors, Portions A and B on 31st Floor, 32nd to 34th Floors, 36th to 39th Floors, Portions A and B on 40th Floor and 41st to 50th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).
Retail Shop	Restaurant Space and Shops 1 to 5 on Lower Ground Floor of the development.
Car Parking Spaces	Private car parking spaces nos. 5 to 33, 39 to 51, 118 to 131 and 166 to 167 on Basement 2 and public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the development.

- (2) The registered owners of the respective portions of the Property as at the Valuation Date are set out below.

Registered Owner	Portion of the Property
Shine Hill Development Limited	Whole of ICBC Tower including 2nd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors and 25th to 40th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st and 19th Floors are mechanical floors).
	Various portions of the Champion Tower, including 3rd to 12th Floors, 15th to 18th Floors, 20th to 23rd Floors, 25th to 28th Floors (13th, 14th and 24th Floors are omitted from floor numbering; 1st, 2nd, 19th and 35th Floors are mechanical floors).
	Restaurant Space and Shops 1 to 4 on Lower Ground Floor of the development.
	Private car parking space nos. 5 to 20, 26 to 33, 45 to 51, 121 to 122 and 166 to 167 on Basement 2 and public carpark comprising 500 car parking spaces and 50 motor cycle parking spaces within the development.
Maple Court Limited	All those Reserved Areas as defined in the Deed of Mutual Covenant and Management Agreement in respect of Three Garden Road registered in the Land Registry by Memorial No UB5511011 (being those parts of the buildings not specifically assigned for the exclusive use of any Owner and not being part of the common areas) reserved for the exclusive use and occupation of Shine Hill (including without limitation to the generality of the foregoing, the Main Roofs, the flat roof, the External Walls, the loading/unloading areas on the First Basement and three (3) flag poles at or above Level +14.668 facing the transverse road).
	29th to 30th Floors and Portion B on 31st Floor of Champion Tower.
Panhy Limited	Private car parking space nos. 21 to 22 on Basement 2 of the development.
	Portion A on 31st Floor and 32nd to 33rd Floors of Champion Tower.
Well Charm Development Limited	Private car parking space nos. 42 to 44 on Basement 2 of the development.
	38th Floor Champion Tower.

Registered Owner	Portion of the Property
CP (Portion A) Limited	Portion A on 40th Floor and 41st to 50th Floors of Champion Tower. Shop 5 on Lower Ground Floor of the development. Private car parking space nos. 118 to 120 and 123 to 131 on Basement 2 of the development.
CP (Portion B) Limited	39th Floor and Portion B on 40th Floor of the Champion Tower. Private car parking space nos. 23 to 25 on Basement 2 of the development.
Elegant Wealth Limited	34th, 36th and 37th Floors of Champion Tower. Private car parking space nos. 39 to 41 on Basement 2 of the development.

- (3) The Property is subject to, inter alia, the following encumbrances as at the Valuation Date:
- (i) The portion of the Property held by Shine Hill Development Limited (see Note 2), except a portion of 3rd Floor and whole 4th to 6th Floors of Champion Tower, is subject to an Agreement for Sale and Purchase in favour of CP (SH) Limited at a consideration of HKD16,117,000,000 dated 26 April 2006.
 - (ii) The portion of the Property held by Maple Court Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (MC) Limited at a consideration of HKD860,000,000 dated 26 April 2006.
 - (iii) The portion of the Property held by Panhy Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (PH) Limited at a consideration of HKD885,000,000 dated 26 April 2006.
 - (iv) The portion of the Property held by Well Charm Development Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (WC) Limited at a consideration of HKD363,000,000 dated 26 April 2006.
 - (v) The portion of the Property held by CP (Portion A) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (A1) Limited at a consideration of HKD3,841,000,000 dated 26 April 2006.
 - (vi) The portion of the Property held by CP (Portion B) Limited (see Note 2) is subject to an Agreement for Sale and Purchase in favour of CP (B1) Limited at a consideration of HKD604,000,000 dated 26 April 2006.
 - (vii) The Property is subject to a memorandum on change of buildings names registered in the Land Registry vide memorial no 16072202320206 dated 28 June 2016.
- (4) The Property lay within an area zoned "Commercial" under the Draft Central District (HPA 4) Outline Zoning Plan No S/H4/17 gazetted on 24 May 2019 as at the Valuation Date.
- (5) Pursuant to Occupation Permit No. H63/92 and the approved building plan of Three Garden Road, each of the 3rd Floor and the 4th Floor of Champion Tower is mainly designated as a restaurant with kitchen. Nevertheless, we have valued the aforesaid portions of the Property on an office use basis and assuming that all necessary approvals have been obtained from the relevant Government authorities for office use.
- (6) The rentals reported herein are the total of the face rentals without taking into account any rent-free periods or the turnover rents received, if any.

Valuation Report

(7) The breakdown market values in respect of different portions of the Property are set out below.

Use	Market Value as at 31 December 2021 (HKD)
Retail	601,000,000
Office	38,281,000,000
Carpark	592,000,000
Miscellaneous	394,000,000
Total	39,868,000,000

(8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (excluding car parking spaces and the licenced miscellaneous premises) as at 31 December 2021 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of Total
Leased	1,090,333	89.0%
Vacant	134,852	11.0%
Total	1,225,185	100.0%

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancies	% of Total
2016	47,575	4.3%	5,013,879	4.2%	3	2.6%
2017	171	0.1%	8,550	0.1%	1	0.9%
2018	41,585	3.8%	4,117,255	3.4%	5	4.3%
2019	362,745	33.3%	42,660,587	35.6%	35	30.4%
2020	396,782	36.4%	45,137,797	37.7%	37	32.2%
2021	241,475	22.1%	22,867,669	19.0%	34	29.6%
Total	1,090,333	100.0%	119,805,737	100.0%	115	100.0%

Lease Expiry Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
2021	37,681	3.5%	3,852,422	3.2%	4	3.5%
2022	201,789	18.5%	24,767,500	20.7%	36	31.3%
2023	484,413	44.4%	54,093,829	45.1%	40	34.8%
2024	177,717	16.3%	18,887,991	15.8%	26	22.6%
2025	171,218	15.7%	18,203,996	15.2%	8	7.0%
2026	17,515	1.6%	0	0%	1	0.8%
Total	1,090,333	100.0%	119,805,737	100.0%	115	100.0%

Lease Duration Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
1	938	0.1%	101,304	0.1%	1	0.9%
2	31,199	2.9%	3,414,778	2.9%	13	11.3%
3	728,687	66.8%	82,152,540	68.5%	82	71.3%
4	197,790	18.1%	20,166,626	16.8%	11	9.6%
5	171	0.1%	8,550	0.1%	1	0.9%
6	97,251	8.9%	10,703,724	8.9%	6	5.2%
7	34,297	3.1%	3,258,215	2.7%	1	0.8%
Total	1,090,333	100.0%	119,805,737	100.0%	115	100.0%

* Individual monthly rental may not add up to the same figure as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes twenty four renewal tenancies for terms of approximately four months to four years and one month commencing between January 2022 and October 2023.

- (9) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding the licenced miscellaneous premises) as at 31 December 2021 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of Total
Leased	42,593	100.0%
Vacant	0	0.0%
Total	42,593	100.0%

Valuation Report

Lease Commencement Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
2015	30,517	71.7%	1,831,020	63.9%	1	12.5%
2016	6,907	16.2%	293,000	10.2%	1	12.5%
2019	1,169	2.7%	143,330	5.0%	2	25.0%
2020	2,202	5.2%	413,347	14.4%	2	25.0%
2021	1,798	4.2%	185,720	6.5%	2	25.0%
Total	42,593	100.0%	2,866,417	100.0%	8	100.0%

Lease Expiry Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
2022	787	1.8%	70,830	2.5%	1	12.5%
2023	9,491	22.3%	778,847	27.1%	4	50.0%
2025	32,315	75.9%	2,016,740	70.4%	3	37.5%
Total	42,593	100.0%	2,866,417	100.0%	8	100.0%

Lease Duration Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
2	0	0.0%	0	0.0%	0	0.0%
3	2,989	7.0%	484,177	16.9%	3	37.5%
4	2,180	5.1%	258,220	9.0%	3	37.5%
7	6,907	16.2%	293,000	10.2%	1	12.5%
10	30,517	71.7%	1,831,020	63.9%	1	12.5%
Total	42,593	100.0%	2,866,417	100.0%	8	100.0%

* Individual monthly rental may not add up to the same figure as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

OFFICE MARKET OVERVIEW

Introduction

Since the COVID-19 outbreak in early 2020, the global economy has been adversely affected, particularly due to travel restrictions and social distancing measures. With vaccines becoming available globally, some countries had been gradually opening borders to welcome vaccinated foreign tourists, which paved the way for gradual economic recovery. Nevertheless, the emergence of Delta, Omicron, and new variants had increased uncertainty about the pace of recovery.

For Hong Kong, the pandemic had generally been under control and the economy had seen obvious signs of recovery in 2021. A real GDP (Gross Domestic Product) change of +5.4% year-on-year was recorded in 3Q21, which marks the third consecutive quarter with a positive change since 2Q19. Exports of goods and services had also shown significant improvement compared with 2020, both recorded quarterly changes of +14.2% and +4.2% respectively in 3Q21.

With these encouraging signs of recovery, occupiers had begun to gain more confidence in the market. A wind-down in office space surrendering had been noted. Both the total number and total volume of office transactions in the first three quarters of 2021 had already surpassed the totals in 2020¹. Yet, until there are more promising signs of the economy being 'back to normal', investors are still cautious while making investment decisions.

Office Stock

According to the Rating and Valuation Department, by the end of 2020, the total stock of private office space was about 134 million sq ft, of which 65% was Grade A, 23% was Grade B, and 12% was Grade C. By the end of October 2021, about 0.27 million sq ft of office space of all grades had been completed in 2021. Not only does it represent a 63% drop from the 2020 completion and a 90% drop from the 2019 completion, but also an all-time low since 1985.

The Central Business District, being the most appealing location in Hong Kong, remains attractive for multinational corporations to set foot on. The Central and Western District possesses the most total office stock (34.9 million sq ft) (26%) and Grade A office stock (20.5 million sq ft) (24%) among all districts.

Demand

According to our research, the overall office rents showed a -0.2% change quarter-on-quarter in 4Q21, which exhibits a milder decline compared to previous quarters. A few submarkets like Prime Central, Central and Kowloon East had even shown positive quarter-on-quarter changes, ranging from +0.3% to +0.6%. Overall net absorption had also bounced back from negative figures to a positive 186,000 sq ft in 4Q21, denoting the second consecutive positive quarter. It is observed that the office market had been stabilizing and the downward pressure on rents had softened.

Surrender stock had reduced by 49.3% from its peak of 724,000 sq ft in 1Q21 to 367,000 sq ft in 4Q21, back to pre-COVID levels. Leasing activities have been more active, mainly led by banking, finance, and insurance sectors. Although uncertainty of the pandemic and corporations opting to downsize are still pressuring the office market demand in 2021, the low office supply serves as a cushion. Some tenants take advantage of the reduced rental level to relocate to prime locations.

1 Source: Rating and Valuation Department

Valuation Report

Supply

According to the Rating and Valuation Department, completions of office space of all grades were steady over the last decade, providing an average of about 1.6 million sq ft to the office stock each year. It is noteworthy that new supply of Grade A office space had seen a drastic fall since 2020 and further plummeted in 2021, bringing in about 136,000 sq ft of Grade A office space up to October 2021. This figure is substantially lower than the 10-year average, which may largely be due to the lack of commercial land sites in favorable office locations.

Despite the low supply in 2020 and 2021, completions in 2022 are forecast to bounce back at about 3.0 million sq ft, with over half of the supply being Grade A office space coming from Kwun Tong (Kai Tak) (907,000 sq ft) and Eastern District (680,000 sq ft). The projects in the pipeline are Airside in Kai Tak and Two Taikoo Place in Quarry Bay. While there is only minimal new supply in the Central area in 2022, the abundance of new office space is expected to exert downward pressure on rents in decentralized locations only.

Take-up and Vacancy

According to our research, the overall net absorption figures were positive in 3Q21 and 4Q21 (as of November), after eight consecutive quarters of negative net absorption. The take-ups in the second half of 2021 (as of November 2021) were recorded at about +0.51 million sq ft, concentrating in Kowloon East (50%) and Central (29%) markets. Only Hong Kong East market observed a negative net absorption in both quarters.

Since 4Q19, the overall vacancy rate had been increasing due to several upsetting factors like the social unrest in 2019, US-China trade tension and the pandemic. In 4Q21, the overall vacancy rate had reached 10.4%, a new high since 2004. Compared with 2Q21, the vacancy rate had only increased by 0.2% which could be a sign of stabilization. For Central, the vacancy rate in 4Q21 was 5.9%, which denotes a 0.4% increase from 2Q21.

Rental Trends

After Grade A office rent peaked in 3Q19, downward pressure had been endured thus far. According to the Rating and Valuation Department, Grade A office rent took the greatest hit quarterly in 2Q20 with a -4.0% change. While in the first three quarters in 2021, quarterly changes ranged from -0.5% to +0.4%, depicting a milder decline or early stabilization in rent.

According to our research, office rents of all districts in 4Q21 showed a -0.2% quarter-on-quarter change, which was a much milder decline than in Q1 (-1.4%) and Q2 (-1.2%). Districts like Central and Kowloon East even recorded a slight quarterly increase in 4Q21, marked at +0.3% and +0.5% respectively.

While it is expected that the overall rental will still be under pressure in 2022, given the expected gradual containment of the pandemic and border opening, the overall rental decline will likely slow down and stabilize. Compared to a 5-year average of 1.1% quarterly increase in office rents before it peaked, the rental market might still need time to resume its growth trajectory.

Price Trends

According to the Rating and Valuation Department, Grade A office price peaked in 2018 before plummeting by 18% through 2020 mainly due to the pandemic. Then, following seven consecutive quarters of price decline, the pattern reverted up with an average of 2.8% quarter-on-quarter growth from 4Q20 to 2Q21. However, a negative change resurfaced in 3Q21, indicating that the market was still hesitating before a growth pattern becomes more apparent.

The total number of office sale transactions in 2021 up to November is 1008, which already surpassed that of 2020 (686) and 2019 (861)². This illustrates that sales activities had become more active in 2021 as compared to the previous two years when the market was clouded by uncertainties.

The commercial land sale under the government land sale programme received positive response amidst the pandemic. Other than the sale of Inland Lot 8945 (Caroline Hill Road) in May 2021 which attracted six bidders and transacted at a price better than anticipated, the bid for Inland Lot No. 9088 (Site 3 of New Central Harbourfront) in November 2021 had also set a record for the highest lump sum for a single development site in Hong Kong. The success of these commercial land sales has brought confidence to the future office market.

Outlook

Net absorption is believed to remain marginally positive in 2022, mainly driven by active sectors like Banking & Finance, Insurance and “new economies” like Business Center and Co-working sectors. Still, with the surge of new supply in 2022 and some tenants seizing the opportunity to consolidate and upgrade their office space under favorable rental level, the overall vacancy rate will likely sustain or mildly increase, and office rents will likely remain at a stable level in 2022.

The investment market has been driven by local investors since the pandemic, and we expect the case to remain in the short run. Overall, the relaxation of loan-to-value ratio cap for non-residential property mortgage loan since August 2020 and the abolition of the Doubled Ad Valorem Stamp Duty on non-residential properties since November 2020 continue to benefit the office market. Decentralization will endure especially with abundant future supply in non-Central locations.

With the expectation of gradual containment of the pandemic and gradual border re-opening in 2022, it is anticipated that investor confidence will return to the office market gradually but with high vigilance. The local economy is expected to post healthy revival if the border will re-open soon.

2 Rating and Valuation Department

Valuation Report



27/F One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

28 January 2022

Eagle Asset Management (CP) Limited

(as the Manager of Champion Real Estate Investment Trust) ("the Manager")

Suite 3008, 30/F, Great Eagle Centre,
23 Harbour Road, Wanchai,
Hong Kong,

HSBC Institutional Trust Services (Asia) Limited

(as the trustee of Champion REIT) ("the Trustee")

17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road
Kowloon

Dear Sirs,

Re: (1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street, (2) Retail Block, Langham Place, 8 Argyle Street, (3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and (4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon (the "Property")

Instructions, Purpose & Valuation Date

We refer to your instructions for us to carry out a market valuation of the Property for financial reporting purpose. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 31 December 2021 (the "Valuation Date").

Basis of Valuation

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Standards

The valuation has been carried out in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Paragraph 6.8 of Chapter 6 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in December 2020.

Valuation Methodology

In the course of our valuation, we have adopted the Income Approach and applied the Term and Reversion Method. We capitalized the passing rents for the unexpired terms of the existing leases to arrive at a "term value". We then formed an opinion on the current market rent of the Property based on our research on recent comparable leasing transactions. This will be the rent which the Property will fetch upon expiry of the existing leases, if there is no material change in the market conditions between now and then. We capitalized such market rent by the prevailing market yield to give a "reversion value" of the Property. The market value of the Property equals to the sum of the present values of the term and reversion values. Our adopted capitalisation rates for the retail and office accommodations are 4.0% and 4.1%, respectively.

In addition, we have cross-checked the result by the Market Approach assuming sale of the Property in its existing state and by making reference to comparable sale transactions as available in the market.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Source of Information

We have relied to a very considerable extent on the information given by the Manager and have accepted advice given to us on such matters as tenancy schedules, statutory notices, easements, tenure, identification of property, particulars of occupancy, floor areas, floor plans and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Manager and are therefore only approximations. No on-site measurement has been carried out.

We have also been advised by the Manager that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable.

Title Investigation

We have not been provided with copies of the title documents relating to the Property but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Valuation Report

Site Inspection

Our valuer, Amy Ho (MRICS, MHKIS, RPS(GP)) inspected the exterior and wherever possible interior of the Property on 10 December 2021. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No test was carried out on any of the services. Our valuation have been prepared on the assumption that these aspects are satisfactory.

Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Property and we are independent of Champion REIT, the Trustee and the Manager.
- We are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of property.
- The valuation has been prepared on a fair and unbiased basis.

Savings Clause and assumptions

We have made the following assumptions:

- All information on the Property provided by the Manager is correct.
- The Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules and sample of tenancy agreement and licence agreement by the Manager. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- As instructed, we have relied upon carpark numbers as advised by the Manager. We have not carried out on-site counting to verify the correctness of the carpark numbers of the Property valued.
- No acquisition costs or disposal costs have been taken into account in the valuation.
- The Government Lease will be renewed upon expiry on normal terms.

Finally and in accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Our valuation report is hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
K. B. Wong
MRICS, FHKIS, RPS(GP)
Executive Director
Valuation & Advisory Services, Hong Kong

Note: Mr K. B. Wong is a Member of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor who has over 35 years of experience in the professional property valuation and advisory services in Hong Kong. Mr Wong has sufficient knowledge of the market and the skills and understanding to undertake the valuation competently.

Valuation Report

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2021	Estimated Net Property Yield
(1) High Block (except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55), 8 Argyle Street,	Langham Place is a retail/office/hotel/ carpark complex erected on two rectangular sites, separated by Shanghai Street. The Property stands on the lot with a total registered site area of about 11,976 sq m (128,910 sq ft) and was completed in 2004.	The office portion of the Property is let under various tenancies mostly for terms of three years with the latest expiry date in February 2026, yielding a total monthly rental income of approximately HKD32.85 million, exclusive of rates, management and air-conditioning charges. A number of tenancies contain options to renew for further terms at the then prevailing market rents.	HKD25,428,000,000 (Hong Kong Dollars Twenty Five Billion Four Hundred and Twenty Eight Million)	4.0%
(2) Retail Block, Langham Place, 8 Argyle Street,	Standing on the eastern site is a 59-level tower comprising 46 levels of office, 4 levels of shop, 5 mechanical floors, 2 refuge floors and 2 roof floors and a 15-storey retail building, including 2 basement levels, erected over 3 levels of basement carpark.	The retail portion of the Property is let under various tenancies mostly for terms of three years with the latest expiry date in Sep 2025, yielding a total monthly basic rent of approximately HKD42.68 million, exclusive of rates, management and air-conditioning charges. Most of the tenancies are subject to turnover rents. The average monthly turnover rent receivable during the period from January 2021 to November 2021 was approximately HKD3.15 million.		
(3) Carpark, 8 Argyle Street and 555 and 557 Shanghai Street, and	Standing on the western site are government, institution and community facilities, public open space and a hotel built over 2 levels of basement car parks.			
(4) Reserved Area, 8 Argyle Street and 555 and 557 Shanghai Street, Mong Kok, Kowloon.	Two covered footbridges and an underground vehicle tunnel across Shanghai Street connect the buildings erected on the two separate sites.	The occupancy rates of the office and retail portions are approximately 96.1% and 100%, respectively.		
1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No 11099.				

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2021	Estimated Net Property Yield
	<p>The Property comprises the office floors from Level 6 to Level 60 (Levels 13, 14, 24, 34, 44 and 58 are omitted from floor numbering) of the High Block, 8 Argyle Street, except HB CAF (as defined in the Sub-Deed of Mutual Covenant affecting the High Block dated 8 July 2005) and Suites Nos 01, 02, 03, 05, 06, 07, 08, 09, 10, 11, 12 and 15 on Levels 35, 36, 37 and 55 with a Gross Rentable Area of approximately 65,302.03 sq m (702,911 sq ft).</p>	<p>The carpark is under operation as a fee-paying public carpark available for letting on monthly or hourly bases. The total average monthly gross income receivable during the period from January 2021 to October 2021 was approximately HKD2.26 million.</p>		
	<p>The Property also comprises the Retail Block, Langham Place, 8 Argyle Street from Basement 2 to Level 13 with a Total Floor Area of approximately 54,797.84 sq m (589,844 sq ft) and a Gross Rentable Area of approximately 29,641.12 sq m (319,057 sq ft).</p>	<p>Miscellaneous incomes generated from lightboxes, signage spaces and other miscellaneous items totally amount to an average monthly licence fee of approximately HKD1.26 million.</p>		
	<p>The Property also consists of a carpark at the basement levels, 8 Argyle Street and 555 and 557 Shanghai Street accommodating a total of 250 car parking spaces.</p>			
	<p>Kowloon Inland Lot No. 11099 is held from the Government under the Conditions of Exchange No. UB12557 for a term from 18 February 2000 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.</p>			

Valuation Report

Notes:

- (1) The registered owner of the Property is Benington Limited as at the Valuation Date.
- (2) The Property comprises the Reserved Area defined in the Deed of Mutual Covenant and Management Agreement dated 27 June 2005 as those parts of the Development not specifically included in the Government Accommodation or any Component, the Development CAF or HB/Retail CAF (all terms as defined in the said Deed of Mutual Covenant and Management Agreement) and reserved for the exclusive use and enjoyment of Benington Limited.
- (3) For the office portion of the Property, the Gross Rental Area is equal to the Total Floor Area.
- (4) The Property lies within an area zoned "Commercial (2)" under the Draft Mong Kok (KPA 3) Outline Zoning Plan No S/K3/33 gazetted on 16 April 2021 as at the Valuation Date.
- (5) The rentals reported herein are the total of the face rental without taking into account any rent-free periods or the turnover rents received, if any.
- (6) The breakdown of market values in respect of different portions of the Property are set out below.

Use	Market Value as at 31 December 2021 (HKD)
Office	8,947,000,000
Retail	15,879,000,000
Carpark	350,000,000
Miscellaneous	252,000,000
Total	25,428,000,000

- (7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the office portion of the Property (excluding car parking spaces and the licensed miscellaneous premises) as at 31 December 2021 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of Total
Leased	676,695	96.3%
Vacant	26,216	3.7%
Total	702,911	100.0%

Lease Commencement Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
2016	69,592	10.3%	3,201,232	9.7%	2	2.6%
2017	2,771	0.4%	124,695	0.4%	1	1.3%
2018	96,403	14.2%	4,623,565	14.1%	11	14.0%
2019	220,917	32.6%	11,348,490	34.5%	21	26.9%
2020	159,607	23.6%	7,718,306	23.5%	19	24.4%
2021	127,405	18.9%	5,833,194	17.8%	24	30.8%
Total	676,695	100.00%	32,849,482	100.0%	78	100.0%

Lease Expiry Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
2021	4,116	0.6%	211,974	0.6%	1	1.3%
2022	140,108	20.7%	6,601,408	20.1%	12	15.4%
2023	273,464	40.4%	13,097,716	39.9%	34	43.5%
2024	193,351	28.6%	9,695,881	29.5%	24	30.8%
2025	48,258	7.1%	2,398,171	7.3%	5	6.4%
2026	17,398	2.6%	844,332	2.6%	2	2.6%
Total	676,695	100.0%	32,849,482	100.0%	78	100.0%

Lease Duration Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
1	21,514	3.2%	942,690	2.9%	2	2.6%
2	31,783	4.7%	1,484,951	4.5%	5	6.4%
3	245,718	36.3%	11,790,516	35.9%	40	51.3%
4	84,807	12.5%	4,084,795	12.4%	8	10.2%
5	190,835	28.2%	9,616,695	29.3%	19	24.4%
6	102,038	15.1%	4,929,835	15.0%	4	5.1%
Total	676,695	100.0%	32,849,482	100.0%	78	100.0%

* Individual monthly rental may not add up to the same figure as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes one renewal tenancies for terms of about 3 years commencing from February 2022.

Valuation Report

- (8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy/licence profile for the retail portion of the Property (excluding car parking spaces and the licenced miscellaneous premises) as at 31 December 2021 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of Total
Leased	293,506	92.0%
Landlord Occupied	25,551	8.0%
Vacant	0	0.0%
Total	319,057	100.0%

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental [#] (HKD)	% of Total	No. of Tenancies	% of Total
2014	44,740	15.2%	5,551,981	13.0%	1	0.5%
2017	15,131	5.2%	3,870,000	9.1%	1	0.5%
2018	10,985	3.8%	1,557,480	3.7%	4	2.0%
2019	91,954	31.3%	17,852,607	41.8%	66	33.2%
2020	35,525	12.1%	5,935,327	13.9%	43	21.6%
2021	95,171	32.4%	7,915,573	18.5%	84	42.2%
Total	293,506	100.0%	42,682,967	100.0%	199	100.0%

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental [#] (HKD)	% of Total	No. of Tenancies	% of Total
2021	473	0.2%	189,200	0.4%	1	0.5%
2022	149,673	51.0%	21,544,073	50.4%	110	55.3%
2023	45,246	15.4%	9,251,790	21.7%	58	29.1%
2024	75,096	25.6%	9,327,769	21.9%	24	12.1%
2025	23,018	7.8%	2,370,135	5.6%	6	3.0%
Total	293,506	100.0%	42,682,967	100.0%	199	100.0%

Lease Duration Profile

Year	Gross Rentable Area		* Monthly Rental [#]		No. of Tenancies	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
1	63,467	21.6%	3,317,143	7.8%	49	24.6%
2	19,176	6.6%	2,933,160	6.9%	28	14.1%
3	87,256	29.8%	19,153,965	44.9%	98	49.2%
4	35,227	12.0%	3,905,210	9.1%	16	8.1%
5	33,541	11.4%	6,718,508	15.7%	5	2.5%
6	10,099	3.4%	1,103,001	2.6%	2	1.0%
10	44,740	15.2%	5,551,981	13.0%	1	0.5%
Total	293,506	100.0%	42,682,967	100.0%	199	100.0%

* Individual monthly rental may not add up to the same figure as the total due to rounding effect.

The monthly rental is the rent for the current term of the tenancy.

Note: The above tenancy profile excludes three renewal tenancies for terms of approximately 1 year to 3 years commencing between April 2022 and June 2022.

OFFICE MARKET OVERVIEW

Introduction

Since the COVID-19 outbreak in early 2020, the global economy has been adversely affected, particularly due to travel restrictions and social distancing measures. With vaccines becoming available globally, some countries had been gradually opening borders to welcome vaccinated foreign tourists, which paved the way for gradual economic recovery. Nevertheless, the emergence of Delta, Omicron, and new variants had increased uncertainty about the pace of recovery.

For Hong Kong, the pandemic had generally been under control and the economy had seen obvious signs of recovery in 2021. A real GDP (Gross Domestic Product) change of +5.4% year-on-year was recorded in 3Q21, which marks the third consecutive quarter with a positive change since 2Q19. Exports of goods and services had also shown significant improvement compared with 2020, both recorded quarterly changes of +14.2% and +4.2% respectively in 3Q21.

With these encouraging signs of recovery, occupiers had begun to gain more confidence in the market. A wind-down in office space surrendering had been noted. Both the total number and total volume of office transactions in the first three quarters of 2021 had already surpassed the totals in 2020¹. Yet, until there are more promising signs of the economy being 'back to normal', investors are still cautious while making investment decisions.

1 Source: Rating and Valuation Department

Valuation Report

Office Stock

According to the Rating and Valuation Department, by the end of 2020, the total stock of private office space was about 134 million sq ft, of which 65% was Grade A, 23% was Grade B, and 12% was Grade C. By the end of October 2021, about 0.27 million sq ft of office space of all grades had been completed in 2021. Not only does it represent a 63% drop from the 2020 completion and a 90% drop from the 2019 completion, but also an all-time low since 1985.

Yau Ma Tei/Mong Kok district is one of the preferred office locations for trading, consumer goods, and insurance companies. Yau Ma Tei/Mong Kok has approximately 6.9% of the existing total office stock of all grades (9.2 million sq ft) and 4.2% of the total Grade A offices stock (3.6 million sq ft).

Demand

According to our research, the overall office rents showed a -0.2% change quarter-on-quarter in 4Q21, which exhibits a milder decline compared to previous quarters. A few submarkets like Prime Central, Central and Kowloon East had even shown positive quarter-on-quarter changes, ranging from +0.3% to +0.6%. Overall net absorption had also bounced back from negative figures to a positive 186,000 sq ft in 4Q21, denoting the second consecutive positive quarter. It is observed that the office market had been stabilizing and the downward pressure on rents had softened.

Surrender stock had reduced by 49.3% from its peak of 724,000 sq ft in 1Q21 to 367,000 sq ft in 4Q21, back to pre-COVID levels. Leasing activities have been more active, mainly led by banking, finance, and insurance sectors. Although uncertainty of the pandemic and corporations opting to downsize are still pressuring the office market demand in 2021, the low office supply serves as a cushion. Some tenants take advantage of the reduced rental level to relocate to prime locations.

Supply

According to the Rating and Valuation Department, completions of office space of all grades were steady over the last decade, providing an average of about 1.6 million sq ft to the office stock each year. It is noteworthy that new supply of Grade A office space had seen a drastic fall since 2020 and further plummeted in 2021, bringing in about 136,000 sq ft of Grade A office space up to October 2021. This figure is substantially lower than the 10-year average, which may largely be due to the lack of commercial land sites in favorable office locations.

Despite the low supply in 2020 and 2021, completions in 2022 are forecast to bounce back at about 3.0 million sq ft, with over half of the supply being Grade A office space coming from Kwun Tong (Kai Tak) (907,000 sq ft) and Eastern District (680,000 sq ft). The projects in the pipeline are Airside in Kai Tak and Two Taikoo Place in Quarry Bay. While there is only minimal new supply in the Central area in 2022, the abundance of new office space is expected to exert downward pressure on rents in decentralized locations only.

Take-up and Vacancy

According to our research, the overall net absorption figures were positive in 3Q21 and 4Q21 (as of November), after eight consecutive quarters of negative net absorption. The take-ups in the second half of 2021 (as of November 2021) were recorded at about +0.51 million sq ft, concentrating in Kowloon East (50%) and Central (29%) markets. The net absorption of Yau Tsim Mong district² also bounced back to be positive, recorded at around 94,000 sq ft in 2H21. Only Hong Kong East market observed a negative net absorption in both quarters.

Since 4Q19, the overall vacancy rate had been increasing due to several upsetting factors like the social unrest in 2019, US-China trade tension and the pandemic. In 4Q21, the overall vacancy rate had reached 10.4%, a new high since 2004. Compared with 2Q21, the vacancy rate had only increased by 0.2% which could be a sign of stabilization. For Yau Tsim Mong², the vacancy rate in 4Q21 was 11.5%, which denotes a 0.2% increase from 2Q21.

Rental Trends

After Grade A office rent peaked in 3Q19, downward pressure had been endured thus far. According to the Rating and Valuation Department, Grade A office rent took the greatest hit quarterly in 2Q20 with a -4.0% change. While in the first three quarters in 2021, quarterly changes ranged from -0.5% to +0.4%, depicting a milder decline or early stabilization in rent.

According to our research, office rents of all districts in 4Q21 showed a -0.2% quarter-on-quarter change, which was a much milder decline than in Q2 (-1.4%) and Q3 (-1.2%). Districts like Central and Kowloon East even recorded a slight quarterly increase in 4Q21, marked at +0.3% and +0.5% respectively. For Yau Tsim Mong district, a 0.9% quarter-on-quarter rental decline was recorded in 4Q21, though less severe than the previous two quarters.

While it is expected that the overall rental will still be under pressure in 2022, given the expected gradual containment of the pandemic and border opening, the overall rental decline will likely slow down and stabilize. Compared to a 5-year average of 1.1% quarterly increase in office rents before it peaked, the rental market might still need time to resume its growth trajectory.

Price Trends

According to the Rating and Valuation Department, Grade A office price peaked in 2018 before plummeting by 18% through 2020 mainly due to the pandemic. Then, following seven consecutive quarters of price decline, the pattern reverted up with an average of 2.8% quarter-on-quarter growth from 4Q20 to 2Q21. However, a negative change resurfaced in 3Q21, indicating that the market was still hesitating before a growth pattern becomes more apparent.

The total number of office sale transactions in 2021 up to November is 1008, which already surpassed that of 2020 (686) and 2019 (861)³. This illustrates that sales activities had become more active in 2021 as compared to the previous two years when the market was clouded by uncertainties.

The commercial land sale under the government land sale programme received positive response amidst the pandemic. Other than the sale of Inland Lot 8945 (Caroline Hill Road) in May 2021 which attracted six bidders and transacted at a price better than anticipated, the bid for Inland Lot No. 9088 (Site 3 of New Central Harbourfront) in November 2021 had also set a record for the highest lump sum for a single development site in Hong Kong. The success of these commercial land sales has brought confidence to the future office market.

2 Includes Yau Ma Tei, Tsim Sha Tsui, and Mong Kok

3 Rating and Valuation Department

Valuation Report

Outlook

Net absorption is believed to remain marginally positive in 2022, mainly driven by active sectors like Banking & Finance, Insurance and “new economies” like Business Center and Co-working sectors. Still, with the surge of new supply in 2022 and some tenants seizing the opportunity to consolidate and upgrade their office space under favorable rental level, the overall vacancy rate will likely sustain or mildly increase, and office rents will likely remain at a stable level in 2022.

The investment market has been driven by local investors since the pandemic, and we expect the case to remain in the short run. Overall, the relaxation of loan-to-value ratio cap for non-residential property mortgage loan since August 2020 and the abolition of the Doubled Ad Valorem Stamp Duty on non-residential properties since November 2020 continue to benefit the office market. Decentralization will endure especially with abundant future supply in non-Central locations.

With the expectation of gradual containment of the pandemic and gradual border re-opening in 2022, it is anticipated that investor confidence will return to the office market gradually but with high vigilance. The local economy is expected to post healthy revival if the border will re-open soon.

RETAIL MARKET OVERVIEW

Introduction

In 2021, the local pandemic had been mostly contained. With the relaxed social distancing measures, residents had mostly resumed their daily activities. According to the Census and Statistics Department, the unemployment rate dropped from the peak at 7.2% at the beginning of 2021 to 4.1% in November 2021, which remarkably boosted local consumption sentiment. The market had been slowly picking up with local citizens becoming more adjusted to live with the pandemic. Total retail sales in 2021 (up to November) had grown by 8.3%, compared to the same period in 2020⁴.

In the hope of bolstering the economy, the government introduced the Consumption Voucher Scheme in July 2021 which successfully stimulated local spending. The retail market will continue to rely heavily on local consumption until further containment of the pandemic and the re-opening of borders.

Retail Stock

According to the Rating and Valuation Department, total private commercial space stood at about 124.6 million sq ft as of end of 2020. The retail stock concentrates mainly in Yau Tsim Mong (18.8%), Wan Chai (10.3%), and Central and Western (9.9%) districts.

Yau Tsim Mong (which includes Yau Ma Tei, Tsim Sha Tsui and Mong Kok) supplies a total of 23.4 million sq ft of commercial space, accounting for 46.2% of the total stock in Kowloon. It is a popular dining-shopping-entertainment hub for both tourists and locals. Several sizable shopping malls can be found in the area, including Harbour City and K11 MUSEA in Tsim Sha Tsui, as well as Langham Place in Mong Kok. The district is characterized by a balanced mix of prime shopping malls as well as street shop clusters, selling products ranging from durables and high-end goods to daily essentials.

Supply

According to the Rating and Valuation Department, overall completions of retail space reached a 5-year (2016-2020) average of about 1.16 million sq ft, despite completions in 2020 only recorded at a reduced level of about 0.72 million sq ft. Supply remained space through 2021. Up to October, completions of commercial premises in 2021 were recorded at 0.35 million sq ft, which is 61% of the forecast made at the beginning of the year (0.57 million sq ft). Most completed retail space comes from Wan Chai district, accounting for 30% of the 2021 forecast completions.

In 2022, completions are forecast to rise above the 5-year average at 1.87 million sq ft. A main part (38%) of the supply will come from Kowloon City district (0.71 million sq ft) thanks to Airside, a mixed-use commercial development in Kai Tak. A couple of major retail developments, like 98 How Ming Street in Kwun Tong and the retail portion of West Kowloon Cultural District are under construction, which will be the main supply in the foreseeable future.

Take-up and Vacancy

From 2010 to 2019, the take-up figures achieved an average of about 424,000 sq ft each year before the pandemic hit. The social unrest in the second half of 2019 also discouraged tourist arrivals and pulled down the overall take-up in the year to about 89,000 sq ft, though still being positive, but greatly deviated from the average. In 2020, tourism activity came to a halt, resulting in a negative take-up of 1.17 million sq ft.

The overall vacancy rate had come to a peak in 2020 at 11.4%. According to our research, vacancy rates in prime districts had fallen in 4Q21 year-on-year, especially in Causeway Bay and Tsim Sha Tsui which stood at 7.9% (-5.2%) and 13.1% (-4.8%) respectively. Landlords continued to offer short-term leases to fill vacant spaces, which is expected to further push down vacancy rates.

Improved local consumption not only backed sales of essential goods, but also sales in jewellery & watches and fashion & accessories. Both sectors had shown year-on-year growth of over 20% in 2021. Tenants began to re-enter the market amid the favorable rental level. Sectors like Food & Beverage and Wellness showed resilience under the pandemic and continued to offer support to market recovery.

Rental Trends

The private retail rental index⁵ saw continuous year-on-year growth from 1Q17 to 3Q19, averaging 2.1%. Subsequently, under the impact of the local social unrest and the pandemic, the rents began to decline for three consecutive quarters since 4Q19, with an average of -3.9% quarter-on-quarter change. In 2021, continued improvement in local consumption sentiment could be observed, which brought the overall retail rents into early stabilization. The rents ceased to further decline in 1Q21 and yielded a 2.1% year-on-year increase in 3Q21.

High-street retail rents lagged behind the overall rents in terms of the pace of recovery. According to our research, rents in Causeway Bay, Tsim Sha Tsui and Central ceased to further decline in 4Q21, showing 0.6%, 0.6% and 2.2% quarter-on-quarter growth, respectively. It is however noteworthy that the above-named districts still recorded negative year-on-year changes, being -4.5%, -4.7% and -2.0% respectively. Prime shops in these key areas took the hardest hit amid frozen inbound tourism, it is believed that high-street rents will take a longer road to recovery.

5 Rating and Valuation Department

Valuation Report

Price Trends

Alongside retail rents, the overall retail property prices also ceased to further decline in 1Q21. Three consecutive quarters of growth had been recorded since then, with quarter-on-quarter growth averaging at 2.6%. In 3Q21, prices increased by 2.5% quarter-on-quarter, and 7.7% year-on-year.

The price recovery could be attributed to the subdued local pandemic, and favorable government policies including the relaxation of loan-to-value ratio cap for non-residential property mortgage loan since August 2020 and the abolition of the Doubled Ad Valorem Stamp Duty on non-residential properties since November 2020.

Outlook

Under the favorable market conditions such as the falling unemployment rate and improved consumer confidence, it is believed that the retail market will see further recovery in 2022. Overall retail rents have bottomed out and vacancy rates will continue to decline with the support of short-term leases.

Local consumption had played an essential role in fueling and uplifting the retail market, and we believe that the case will stand until the borders are open again. In particular, sales in Jewellery & Watches, and Fashion & Accessories sectors had seen a rebound. The Food & Beverage sector is also seeing rising local demand and has shown signs of solid expansion. Besides, the Athleisure & Wellness sector had flourished due to increased awareness about health and fitness amid the pandemic. Such momentum will likely sustain into 2022 and encourage recovery.

Yet, the long-term recovery of the retail market is highly contingent on border opening. Once the borders are re-opened, inbound tourism will resume gradually. It is expected that major brands will look to expand their business shortly to absorb the surge of sale activities. Prime districts such as Central, Tsim Sha Tsui and Causeway Bay will likely lead the recovery. While border opening also means a certain outflow of population and thus pressuring local consumption in the short term, the return of tourists will drive recovery in the long term.

Trustee's Report

TO THE UNITHOLDERS OF 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))

We hereby confirm that, in our opinion, the Manager of Champion Real Estate Investment Trust has, in all material respects, managed Champion Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 April 2006, as amended by the first supplemental deed dated 5 December 2006, the second supplemental deed dated 4 February 2008, the third supplemental deed dated 9 March 2009, the fourth supplemental deed dated 23 July 2010, the fifth supplemental deed dated 13 March 2012, the sixth supplemental deed dated 23 January 2015, the seventh supplemental deed dated 1 June 2017, the First Amending and Restating Deed dated 21 April 2021 and the eighth supplemental deed dated 24 May 2021 for the financial year ended 31 December 2021.

HSBC Institutional Trust Services (Asia) Limited

in its capacity as the trustee of Champion Real Estate Investment Trust

Hong Kong, 21 February 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES AND FRAMEWORK

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.

The major activities during the year 2021 and up to the date of this report are set out below:

Establishment of/ Amendments to various Governance and Control Policies and Procedures

In view of upholding the high standard of corporate governance, various governance and control policies and procedures of the REIT Manager for use in relation to the management of Champion REIT were established, including:

- Anti-fraud, Bribery and Corruption Policy which sets out the minimum standards of conduct to which all employees are required to adhere and guidance on accepting and offering business courtesies to uphold high standards of business integrity, honesty and transparency in all business dealings of the Trust.
- Reporting and Monitoring Policy on Connected Transactions which sets out the mechanism on the internal control systems and monitoring procedures of the Trust in respect of executing, recording and reporting of all connected transactions and continuing connected transactions no matter they are exempted transactions or otherwise.

Furthermore, upon periodic review, some housekeeping and other amendments were made to the following policies and procedures, namely:

- Anti-Money Laundering and Counter-Financing of Terrorism Procedures.
- Connected Party Transactions Procedure on Sample Checking.
- Whistleblowing Policy.
- Procedures for FATCA Reporting.

Changes in Board Composition	<p>Mr Ip Yuk Keung, Albert was re-designated from Non-executive Director to Independent Non-executive Director and appointed as member of the Audit Committee of the REIT Manager with effect from 21 May 2021, to better reflect his role and function in the Board and optimise Champion REIT's governance structure. Announcement in relation thereto was made on 21 May 2021.</p> <p>Ms Wong Ka Ki, Ada has resigned from her positions of the REIT Manager with effect from 11 October 2021. The vacancies left by her, except the positions of Chief Executive Officer and Chief Investment Officer, were filled by Mr Kwong Chi Kwong on 11 October 2021. On 4 February 2022, Ms Hau Shun, Christina was appointed as Executive Director, Chief Executive Officer, Chief Investment Officer and Responsible Officer of the REIT Manager. Mr Kwong remains as an Executive Director of the REIT Manager. Announcements in relation thereto were made on 13 September 2021, 8 October 2021 and 4 February 2022 respectively.</p>
Establishment of a Finance and Strategic Planning Committee	<p>A Finance and Strategic Planning Committee was established on 18 February 2021. It is delegated by the Board of the REIT Manager with the responsibility to enhance 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").</p>
Streamlining the Corporate Structure	<p>To streamline the corporate structure of Champion REIT at its subsidiaries' level, after the year end, preliminary steps have been taken to amalgamate two wholly-owned special purpose vehicles of Champion REIT. The amalgamation (if materialised) will render no impact on Champion REIT's consolidated financial statements.</p>
Amendments to the Deed of Trust ("Trust Deed")	<p>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 as defined in the Code on Real Estate Investment Trusts ("REIT Code"). 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. The amendments enhanced flexibility to 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.</p>
Amendments to the Compliance Manual	<p>The Compliance Manual of the REIT Manager was updated to reflect the major changes in (1) governance structure in relation to the establishment of the Finance and Strategic Planning Committee; (2) amendments in the REIT Code which took effect from 4 December 2020; (3) amendments to the Trust Deed which took effect from 20 May 2021; (4) updated organisational chart; (5) addition of ancillary investment in Langham Beauty business; and (6) other housekeeping amendments.</p>
Amendments to the Operations Manual	<p>The Operations Manual of the REIT Manager was updated in November 2021 to reflect the current organisational chart and existing operational practices including the business of Langham Beauty.</p>

Corporate Governance Report

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 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 Hau Shun, Christina, Chief Executive Officer and Executive Director; Mr Kwong Chi Kwong, Chief Operating Officer – Risk Management and Executive Director; Ms Luk Ka Ping, Amy, Investment and Investor Relations Director and Mr Leung Kin Shan, Business Development Director 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.

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.

GOVERNANCE PRACTICES

Roles of the Trustee and the REIT Manager

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 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, and as amended from time to time.

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	Chief Operating Officer – Risk Management and 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

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of five Directors and a maximum of thirteen Directors. The Board currently comprises eight members, with two Non-executive Directors, two Executive Directors and four Independent Non-executive Directors.

During the year and up to the date of this report, changes to the composition of the Board and Board Committees as follows:

- Mr Ip Yuk Keung, Albert was re-designated from Non-executive Director to Independent Non-executive Director of the REIT Manager and appointed as member of the Audit Committee of the REIT Manager with effect from 21 May 2021.
- Ms Wong Ka Ki, Ada has resigned as Executive Director and Chief Executive Officer of the REIT Manager and ceased to be Chairman of the Disclosures Committee, member of the Finance and Strategic Planning Committee, Chief Investment Officer and Responsible Officer of the REIT Manager, all with effect from 11 October 2021.
- Mr Kwong Chi Kwong was appointed as Executive Director, Chairman of the Disclosures Committee and member of the Finance and Strategic Planning Committee of the REIT Manager in place of Ms Wong Ka Ki, Ada, all with effect from 11 October 2021.
- Ms Hau Shun, Christina was appointed as Executive Director, Chief Executive Officer, Chief Investment Officer and Responsible Officer of the REIT Manager, and also Chairman of the Disclosures Committee and member of the Finance and Strategic Planning Committee of the REIT Manager in place of Mr Kwong Chi Kwong, all with effect from 4 February 2022. Mr Kwong remains as an Executive Director of the REIT Manager.

Corporate Governance Report

The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr Lo Ka Shui who is a Non-executive Director and provides leadership for the Board. The position of Chief Executive Officer was held by Ms Wong Ka Ki, Ada who was an Executive Director until her resignation with effect from 11 October 2021. The position of Chief Executive Officer was filled by Ms Hau Shun, Christina on 4 February 2022. She is responsible for running business operations and execution of corporate strategies of Champion REIT.

The composition of the Board of the REIT Manager during the year and up to the date of this report is set out below:

Non-executive Directors

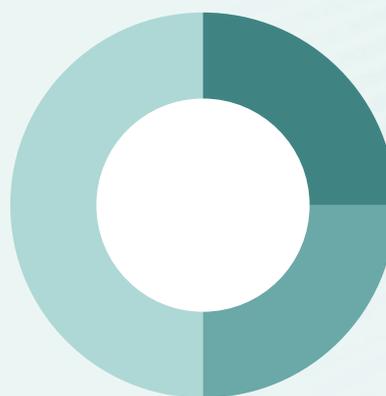
LO Ka Shui (*Chairman*)
WONG Mei Ling, Marina

Executive Directors

HAU Shun, Christina (*Chief Executive Officer*)
(appointed on 4 February 2022)
KWONG Chi Kwong
(appointed on 11 October 2021)
WONG Ka Ki, Ada (*Chief Executive Officer*)
(resigned on 11 October 2021)

Independent Non-executive Directors

CHENG Wai Chee, Christopher
HO Shut Kan
IP Yuk Keung, Albert
(re-designated as Independent
Non-executive Director on 21 May 2021)
SHEK Lai Him, Abraham



■ 25% Non-executive Director
■ 25% Executive Director
■ 50% Independent Non-executive Director

Biographical details of the Directors are set out in this Annual Report on pages 12 to 17 and published on the Trust's website at www.ChampionReit.com.

In accordance with the articles of association of the REIT Manager, one-third of the Directors shall retire from office at every annual general meeting of the REIT Manager, or if their number is not a multiple of three, then number nearest to one-third shall retire from office. A retiring Director shall be eligible for re-election provided that if the retiring Director is an Independent Non-executive Director who serves the Board for more than nine years, his further re-appointment shall be subject to the approval of the Unitholders at the Annual General Meeting of Champion REIT by way of an Ordinary Resolution.

Dr Lo Ka Shui is the chairman and non-executive director of LHIL Manager Limited (Trustee-Manager of the publicly listed Langham Hospitality Investments) and Langham Hospitality Investments Limited ("Langham"), of which Great Eagle Holdings Limited ("Great Eagle") has a 69.39% interests. Ms Wong Mei Ling, Marina is the company secretary of Great Eagle and Langham. Save as disclosed above, there are no other financial, business, family or other material or relevant relationships between Board members.

Set out below is a summary of area of experience and responsibilities of each Board Member:

	Area of Experience	Responsibilities
Non-executive Directors		
LO Ka Shui (<i>Chairman</i>)	Property and hotel development and investment both in Hong Kong and overseas	Ensuring effective operation of the Board and all key and appropriate issues are discussed and considered by the Board in a timely manner; and leading the Board to establish good corporate governance practices and procedures of the REIT Manager
WONG Mei Ling, Marina	Development of governance and compliance policies and corporate secretarial and administration	Formulation of strategic directions and high level oversight of governance and compliance, finance and investments of the Trust
Executive Directors		
HAU Shun, Christina (<i>Chief Executive Officer</i>)	Leasing, marketing and asset management	Responsible for all day-to-day operations; supervising the management team to ensure that the Trust is operated in accordance with the stated strategy, policies and regulations; implementing the corporate governance practices adopted by the REIT Manager; and chairing the Disclosures Committee
KWONG Chi Kwong	Leasing, marketing and asset management	Responsible for establishing and maintaining internal control procedures to safeguard the corporation against involvement in money laundering activities or terrorist financing in the operation level and an effective risk management system properly in place for identification, evaluation, prioritising and recording as well as communication of risks within the REIT Manager and Champion REIT as well as its key service providers to minimise and control probable impact of unfortunate events
Independent Non-executive Directors		
CHENG Wai Chee, Christopher	Property development, property investment and management	Scrutinising and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices
HO Shut Kan	Property development and investment	Chairing the Nomination Committee; scrutinising and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices

Corporate Governance Report

	Area of Experience	Responsibilities
IP Yuk Keung, Albert	International banking, investment and financing	Scrutinising and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices
SHEK Lai Him, Abraham	Immediate past member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency	Chairing the Audit Committee; scrutinising and monitoring the Trust's performance; giving independent judgment, strategic advice and guidance on the business and operations; reviewing the financial control and system of risk management and compliance; and ensuring the REIT Manager follows good corporate governance practices

Board Responsibilities

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 conditions 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.

Key Reserved Matters must be first considered by the full Board

- approval of treasury, taxes, financial risk management and capital policies and significant changes in accounting policy
- approval of sale and acquisition of properties
- approval of issue of new Units
- approval of changes to the Corporate Governance Policy
- approval of distributions of Champion REIT to Unitholders
- approval of annual, interim reports and circulars to Unitholders
- approval of appointment and removal of Directors to the REIT Manager
- approval of changes to the provisions in the Trust Deed
- recommendation to Unitholders on appointment and removal of auditors of Champion REIT and approval of the audit fee
- approval of material contracts not in the ordinary course of business

Independence

Pursuant to the REIT Manager's corporate governance policy, Independent Non-executive Directors must be individuals who fulfill the independence criteria set out in the Compliance Manual that are no less exacting than those set out in rule 3.13 of the Listing Rules for assessing the independence of an Independent Non-executive Director. Each of the Independent Non-executive Directors of the REIT Manager has provided a written annual confirmation of independence to the REIT Manager. The Nomination Committee of the REIT Manager has also assessed the independence of the Independent Non-executive Directors.

All Independent Non-executive Directors of the REIT Manager have served the Board for more than nine years. Notwithstanding their length of service, the Board is of the view that they demonstrate complete independence in character and judgment both as Board members and in their designated roles. The Board also believes that they continue to bring independent views of the affairs of Champion REIT to the Board and their in-depth knowledge of the Trust's business and their extensive experience continue to provide invaluable contribution to the Board.

Among the Board members of the REIT Manager, two of them have interlocking directorship with each other. Given that each of them plays a non-executive role and holds less than 1% of the number of issued shares in the relevant company, the Board considers that such interlocking directorship would not undermine their independence with respect to their directorships at the REIT Manager.

In addition, the Board is of the view that all of them have strong experience in corporate governance and are familiar with management of listed public companies in Hong Kong. They have demonstrated their good understanding of the culture and control environment of the REIT Manager and have the ability to continually provide constructive challenge for management and other Directors and to express their independent views to facilitate the decision-making process of the Board. During the financial year ended 31 December 2021, they have participated in all Board meetings to give impartial advice and exercise independent judgement and served on various Board committees but all of them have never engaged in any executive management.

Besides, in accordance with the requirements of the Articles of Association of the REIT Manager, each of the Directors has to disclose his/her interest, if any, in the matters to be considered at the Board meetings. A Director shall abstain from voting in respect of any transaction, contract or arrangement in which he/she is interested.

In view of the aforesaid factors, the Board considers that all of them remain independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

Continuing Professional Development

To keep Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Trust's business and operating environment, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director are provided to each Director by the Company Secretary of the REIT Manager periodically to foster the refreshing and ongoing updating of Board members' skills and knowledge.

Corporate Governance Report

During the year ended 31 December 2021, the Directors received information packages with focus on the subject areas of legal and regulatory, corporate governance, financial reporting and industry news and updates. Each of the Directors has confirmed that they have participated in no less than 10 training hours during the year ended 31 December 2021, and all the Directors have provided confirmation on their respective training records to the REIT Manager. Trainings attended by the Directors during the year are as follows:

Training Records

Name of Directors	Subject Areas			
	Legal and Regulatory	Corporate Governance	Financial Reporting	Industry News and Updates
Non-executive Directors				
LO Ka Shui (<i>Chairman</i>)	✓	✓	✓	✓
WONG Mei Ling, Marina	✓	✓	✓	✓
Executive Directors				
HAU Shun, Christina (<i>Chief Executive Officer</i>) (appointed on 4 February 2022)	✓	✓	✓	✓
KWONG Chi Kwong (appointed on 11 October 2021)	✓	✓	✓	✓
WONG Ka Ki, Ada (<i>Chief Executive Officer</i>) (resigned on 11 October 2021)	✓	✓	✓	✓
Independent Non-executive Directors				
CHENG Wai Chee, Christopher	✓	✓	✓	✓
HO Shut Kan	✓	✓	✓	✓
IP Yuk Keung, Albert (re-designated as Independent Non-executive Director on 21 May 2021)	✓	✓	✓	✓
SHEK Lai Him, Abraham	✓	✓	✓	✓

All members of the senior management also have provided confirmation on their respective training records to the REIT Manager and each of them have participated in no less than 10 training hours during the year ended 31 December 2021.

Directors' Time Commitments

During the year ended 31 December 2021, each of the Directors has confirmed that they have spent sufficient time and attention to the affairs of Champion REIT.

Supply of and Access to Information

In addition to the monthly reports covering operating highlights of the Trust's business, thorough and comprehensive management and financial updates are provided to all Board members on a quarterly basis to ensure each member is informed of the state of the business and enable them to make proper response and follow up. If there are material matters that require the immediate attention of the Board members, the REIT Manager will provide the Directors with the necessary information in the form of exceptional reports. Also, additional information will always be provided to the Directors upon request.

Induction

Each newly appointed Director will receive an induction pack to familiarise himself/herself with the business, operations of Champion REIT and the legal framework under which Champion REIT is governed and the internal control procedures and policies of the Trust. The induction pack includes but not limited to the Trust Deed, REIT Code, Compliance Manual, Operations Manual, articles of association of the REIT Manager, and recent publications of Champion REIT. The Company Secretary of the REIT Manager also provides all Directors with materials from time to time to keep them abreast of the latest developments in the industry and the legal framework that are relevant to the affairs of Champion REIT.

Independent Professional Advice

For the purposes of discharging their duties and responsibilities, the Board members may obtain independent professional advice at the REIT Manager's expense upon reasonable request. The Company Secretary of the REIT Manager is responsible for making all necessary arrangement.

Insurance

During the year ended 31 December 2021, appropriate directors' and officers' liabilities insurance and professional indemnity insurance have been arranged in respect of legal action against the Directors and officers of the REIT Manager and the provision of professional services by the REIT Manager to the Trust.

Directors' Interests in Transactions, Arrangements or Contracts

Other than as disclosed in this report and previous disclosures (including announcements, circulars and Offering Circular) issued by the REIT Manager, there are no transaction, arrangement or contract of significance that requires to be disclosed in accordance with the Listing Rules and REIT Code subsisting during or at the end of the year in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

Disclosure on Remuneration

According to the Trust Deed, the REIT Manager shall be entitled to a Manager's Fee of 12% of the net property income and be payable semi-annually in arrears after the publication of the semi-annual financial statements of the Trust provided that the net property income as shown in the published semi-annual financial statements is equal to or more than HK\$200 million.

Pursuant to the announcement of Champion REIT dated 30 November 2012 and according to Clause 11.1.2 of the Trust Deed in relation to the notification from the REIT Manager to the Trustee in writing, the REIT Manager elected to receive 50% of the Manager's Fee arising from the real estate owned by Champion REIT for the financial year 2021 in the form of Units and the remaining 50% in cash. The Manager's Fee for the year ended 31 December 2021 amounted to approximately HK\$266 million, being 12% of the net property income of Champion REIT for such services rendered during the year.

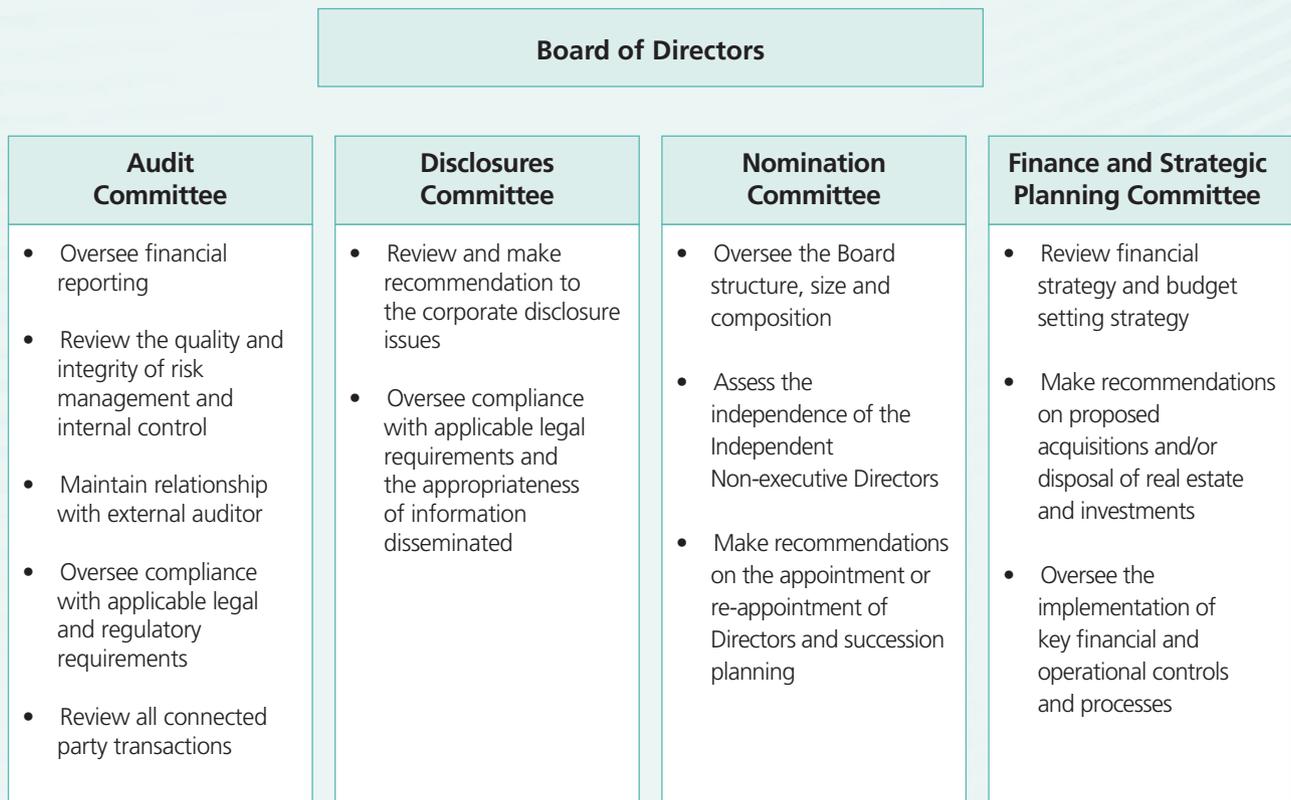
The payment of the Manager's Fee by way of Units is in accordance with the terms of the Trust Deed and does not require specific prior approval of the Unitholders pursuant to a waiver granted by the SFC.

The remuneration of Directors and staff of the REIT Manager is paid by the REIT Manager, and not by Champion REIT. The REIT Manager adopts the remuneration policies and practices of its holding company, which has a remuneration committee that determines policy and structure for all remuneration of senior executives of the REIT Manager, which include the Chief Executive Officer of the REIT Manager and members of its senior management team. None of the Directors has a service contract with the REIT Manager which is not terminable by the employer within one year without payment of compensation (other than statutory compensation). Since Champion REIT does not bear the remuneration of the REIT Manager's Board and staff, the REIT Manager does not consider it applicable to include the information about the remuneration of its Directors and its key executives in this report.

Corporate Governance Report

Delegation and Board Committees

The Board of the REIT Manager may establish Board committees with clear terms of reference to review specific issues or items. The four standing Board committees established are the Audit Committee, Disclosures Committee, Nomination Committee and Finance and Strategic Planning Committee.



Audit Committee

The REIT Manager established an Audit Committee in 2006 and adopted the amended terms of reference in 2020. The written terms of reference of the Audit Committee are available upon request. 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.

Audit Committee's Principal Responsibilities

Financial Reporting	<ul style="list-style-type: none"> • Reviewing financial statements
Risk Management and Internal Control	<ul style="list-style-type: none"> • Reviewing internal audit reports • Assisting the Board in its monitoring of the REIT Manager's overall risk management profile and setting guidelines and policies to govern risk assessment and risk management
External Audit	<ul style="list-style-type: none"> • Reviewing external audit reports to ensure that, where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management
Compliance	<ul style="list-style-type: none"> • Monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the Listing Rules • Monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Champion REIT and a "connected person" (as defined in the REIT Code)

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. The members of the Audit Committee are appointed by the Board from among the Non-executive Directors of the REIT Manager and a majority of the members of the Audit Committee are required to be Independent Non-executive Directors.

Pursuant to the waiver from strict compliance with the requirement under paragraph 9.13 of the REIT Code granted by the SFC, the Audit Committee of the REIT Manager confirmed that the roadshow and public relations-related expenses ("PR Expenses") were incurred in accordance with the internal control procedures of the REIT Manager and the nature of these PR Expenses was solely for the purposes as set out in Clause 2.4.13 of the Trust Deed.

Corporate Governance Report

During the year 2021, two physical meetings of the Audit Committee were held and two written resolutions were passed by all members of the Audit Committee. The following is a summary of the major work done of the Audit Committee during the year 2021:

Summary of Major Work Done of the Audit Committee in 2021

Financial Reporting

- Reviewed the audited financial statements for the year ended 31 December 2020 and the unaudited financial statements for the six months ended 30 June 2021, with particular regard to the qualitative aspects of Champion REIT's accounting practices including the following major judgmental issues:
 - (1) the intention and ability to hold the held-to-maturity investments in light of the capital maintenance and liquidity requirements of Champion REIT;
 - (2) the treatment of deferred taxation on changes in fair value of the investment properties of Champion REIT situated in Hong Kong; and
 - (3) the processes and method of valuation of the investment properties and the non-quoted derivative financial instruments of Champion REIT.
- Evaluated the effect on the results and financial position of Champion REIT for applications of new amendments/interpretations issued by The Hong Kong Institute of Certified Public Accountants
- Reviewed the Annual Report comprising the Corporate Governance Report; the Sustainability Report; and the Final Results Announcement for the year ended 31 December 2020
- Reviewed the Interim Report and the Interim Results Announcement for the six months ended 30 June 2021
- Reviewed and approved the 2021 annual budget/forecasts and annual business plan prepared by the REIT Manager

Risk Management and Internal Control

- Reviewed the Reports of the Internal Auditor
- Reviewed the effectiveness of risk management and internal control systems

External Audit

- Reviewed the Reports from the External Auditor
- Considered and recommended to the Board on the re-appointment of External Auditor and approved the terms of engagement

Compliance

- Reviewed the legal and regulatory compliance matters for the year ended 31 December 2020 and for the six months ended 30 June 2021, which included, among others, the Reports on Connected Party Transactions
- Reviewed the connected party transaction in relation to the joint venture formed for acquisition of an office property situated at 66 Shoe Lane, London in compliance with REIT Code and Trust Deed

Disclosures Committee

The REIT Manager established a Disclosures Committee in 2006 and adopted the amended terms of reference in 2020. The written terms of reference of the Disclosures Committee are available upon request. 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.

Disclosures Committee's Principal Responsibilities

Corporate Disclosure

- Reviewing and making recommendations to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions, and potential areas of conflict of interests

Compliance

- Overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Champion REIT to the public and applicable regulatory agencies
- Reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Champion REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable
- Reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies

The members of the Disclosures Committee are appointed by the Board from among the Directors. It 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 Hau Shun, Christina). Ms Hau is the Chairman of the Disclosures Committee.

Corporate Governance Report

During the year 2021, two physical meetings of the Disclosures Committee were held and five written resolutions were passed by all members of the Disclosures Committee. The following is a summary of the major work done of the Disclosures Committee during the year 2021:

Summary of Major Work Done of the Disclosures Committee in 2021

Corporate Disclosure

- Reviewed and approved the Sustainability Report for the year ended 31 December 2020
- Reviewed the disclosure checklist and approved the 2020 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2020, the payment of Manager's fee in cash and Units and the final distribution
- Reviewed and approved the Circular to Unitholders in relation to the General Mandate to Buy-back Units of Champion REIT and the Notice convening the 2021 Annual General Meeting
- Reviewed the disclosure checklist and approved the 2021 Interim Report of Champion REIT and announcements in relation to the interim results for the six months ended 30 June 2021, the payment of Manager's fee in cash and units and the interim distribution
- Reviewed and approved the Announcements to Unitholders in relation to the connected party transaction regarding the joint venture formed for acquisition of an office property situated at 66 Shoe Lane, London
- Reviewed and approved the Announcements and the Circular to Unitholders in relation to the increase in the Property Development Cap and amendment to the Trust Deed and the Notice convening the Extraordinary General Meeting held on 20 May 2021
- Reviewed and approved the Announcement to Unitholders in relation to the re-designation of Mr Ip Yuk Keung, Albert from Non-executive Director to Independent Non-executive Director and his appointment as member of the Audit Committee of the REIT Manager
- Reviewed and approved the Announcement to Unitholders in relation to the resignation of Ms Wong Ka Ki, Ada as Executive Director and Chief Executive Officer and cessation as Chairman of the Disclosures Committee, member of the Finance and Strategic Planning Committee, Chief Investment Officer and Responsible Officer of the REIT Manager
- Reviewed and approved the Announcement to Unitholders in relation to the appointment of Mr Kwong Chi Kwong as Executive Director, Chairman of the Disclosures Committee and member of the Finance and Strategic Planning Committee of the REIT Manager

Nomination Committee

The REIT Manager established a Nomination Committee in November 2019 and adopted the terms of reference in February 2020. The written terms of reference of the Nomination Committee are available upon request. 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.

Nomination Committee's Principal Responsibilities

Board Composition

- Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the strategy of Champion REIT
- Identifying individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships
- Making recommendations on persons for appointment or re-appointment as Director to, and proposing Directors for removal from, the full Board and making recommendations to the Board on the relevant matters relating to succession planning for Directors, in particular the Chairman and the Chief Executive Officer

Corporate Governance

- Assessing the independence of Independent Non-executive Directors
- Formulating, maintaining and updating the Board Diversity Policy and Nomination Policy of the REIT Manager

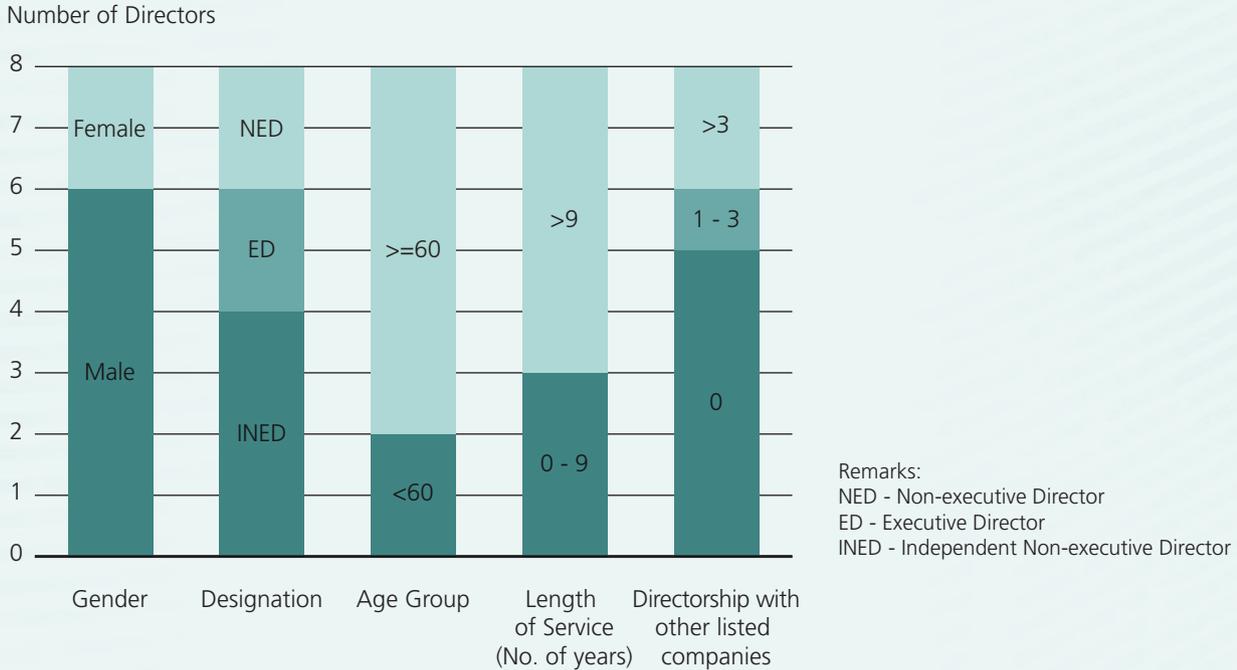
The members of the Nomination Committee are appointed by the Board from among the Directors. It currently comprises a Non-executive Director (namely, Dr Lo Ka Shui) and three Independent Non-executive Directors (namely, Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan and Mr Shek Lai Him, Abraham). Mr Ho is the Chairman of the Nomination Committee.

Board Diversity Policy

The Nomination Committee adopted a board diversity policy ("Board Diversity Policy") in 2020. The REIT Manager believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Board shall be on merit, in the context of the skills and experience the Board as a whole requires to be effective, and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal and regulatory requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions like gender, age, cultural or educational background when shortlisting candidates. The REIT Manager believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background and other qualities of Directors. The Nomination Committee shall review the diversity of the Board at least annually taking into account the Trust's business model and specific needs and shall monitor the implementation of the Board Diversity Policy and, if appropriate, make recommendations on proposed changes to the Board to complement the Trust's corporate strategy. The Chairman of the Board should be a Non-executive Director of the REIT Manager and at least one-third, and a minimum of three members of the Board should be Independent Non-executive Directors.

Corporate Governance Report

The Board reviewed the implementation and effectiveness of the Board Diversity Policy in February 2022. The Board considers the current Board composition has provided the REIT Manager with a balance of skills, experience and diversity of perspective appropriate to the requirements by its business. The following chart shows the diversity profile of the Board as at the date of this report:



Nomination Policy

The Nomination Committee adopted a nomination policy of the REIT Manager (“Nomination Policy”) in 2020. The Nomination Committee shall review the Nomination Policy from time to time. The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates. The objective of the Nomination Policy is to assist the REIT Manager in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the REIT Manager.

The Nomination Committee is delegated by the Board to shortlist any and all candidates recommended as nominees for Directors to the Committee by any Directors or shareholders of the REIT Manager in accordance with the REIT Manager’s Articles of Association and the Compliance Manual. The Nomination Committee may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The Nomination Committee shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of Independent Non-executive Directors) to effectively represent the best interests of all Unitholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating candidates including personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors will be evaluated using a substantially similar process.

During the year 2021, two physical meetings of the Nomination Committee were held and two written resolutions were passed by all members of the Nomination Committee. The following is a summary of the major work done of the Nomination Committee during the year 2021:

Summary of Major Work Done of the Nomination Committee in 2021

Board Composition

- Reviewed the structure, size and composition of the Board, and the contribution required from the Board members
- Reviewed time commitment of Directors to the affairs of Champion REIT through, inter alia, their meeting attendance and other listed company's directorships
- Approved the nomination of retiring Directors to seek for re-election at the 2021 Annual General Meeting
- Reviewed and approved the nomination of Mr Ip Yuk Keung, Albert to be re-designated from Non-executive Director to Independent Non-executive Director and appointed as member of the Audit Committee after considering his background, academic achievement and working experience and made recommendation to the Board
- Reviewed and approved the nomination of Mr Kwong Chi Kwong as Executive Director, Chairman of the Disclosures Committee and member of the Finance and Strategic Planning Committee of the REIT Manager after considering his background, academic achievement and working experience and made recommendation to the Board
- Reviewed and approved the nomination of Ms Hau Shun, Christina as Executive Director, Chief Executive Officer, Chief Investment Officer and Responsible Officer of the REIT Manager, and also Chairman of the Disclosures Committee and member of the Finance and Strategic Planning Committee of the REIT Manager after considering her background, academic achievement and working experience and made recommendation to the Board

Corporate Governance

- Reviewed the independence of Independent Non-executive Directors
- Reviewed the Board Diversity Policy

Corporate Governance Report

Finance and Strategic Planning Committee

The REIT Manager established a Finance and Strategic Planning Committee (“Committee”) and adopted the terms of reference in February 2021. The role of the Committee is to enhance governance and control in respect of the financial performance and strategic planning of the REIT Manager and the Group. The Committee discharges its duties under the terms of reference so delegated by the Board and reports and makes recommendations to the Board and it is distinct and separate from the Audit Committee. The Committee shall have no executive authority with regard to its findings and recommendations.

Finance and Strategic Planning Committee’s Principal Responsibilities

- Making recommendations on changes to the Compliance Program based on industry developments, legal guidance, practices of the Group and/or other standards and requirements identified by the Committee
- Evaluating policies and controls of the Group including operation, finance, budgeting, governance and compliance
- Reviewing the Group’s financial strategy and budget setting strategy
- Reviewing the Group’s operating budget, annual capital budget and allocation of capital and monitoring the implementation of the approved annual budget/forecasts and annual business plan
- Reviewing the Group’s treasury management activities
- Reviewing the Group’s cash requirements and sources of cash
- Monitoring the progress towards achievement of the financial strategy and financial targets, and operational performance associated activity levels
- Making recommendations on proposed acquisitions and/or disposal of real estate and investments

The members of the Committee are recommended by the Nomination Committee and appointed by the Board from among the Directors. It currently comprises two Non-executive Directors (namely, Dr Lo Ka Shui and Ms Wong Mei Ling, Marina) and an Executive Director (namely, Ms Hau Shun, Christina). Dr Lo is the Chairman of the Committee. Members of the Committee meet regularly.

Board and Board Committee Meetings

Directors make fruitful contribution by attending meetings and sharing views, advice and experience on matters material to the Trust's affairs, with the common goal of further enhancing the interests of the Trust and the Unitholders. Board meetings of the REIT Manager are held regularly at least four times a year at approximately quarterly intervals. Proposed dates of the regular Board and Board Committee meetings for each new calendar year are set out in a schedule and notified to all Board members before the beginning of the year concerned with a view to facilitating their attendance. Additional meetings are convened as and when circumstances warrant.

In response to government's call for maintaining social distancing and reducing gatherings in order to minimise the risk of COVID-19 spreading, Board and Board Committee meetings of the REIT Manager were held either by means of video conference or telephone conference during the year.

Proceedings of the Board and Board Committees

- At least 14 days' formal notice of regular Board and Board Committee meetings will be given by the Company Secretary to all Directors, and all Directors are given the opportunity to include any matters for discussion in the agenda. For special Board and Board Committee meetings, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Board Committee meeting.
- The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.
- If a substantial unitholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- Minutes of all Board and Board Committee meetings are kept by the Company Secretary and are available for Directors' inspection. Draft and final versions of minutes are sent to all Directors in a timely manner for their comment and record.

Corporate Governance Report

The attendance of individual Directors and committee members in 2021 is set out in the table below:

Number of Meeting(s) attended/Eligible to attend in 2021

Name of Directors	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting	Nomination Committee Meeting	2021 Annual General Meeting	Extraordinary General Meeting
Non-executive Directors						
LO Ka Shui (<i>Chairman</i>)	5/5	2/2	2/2	2/2	✓	✓
WONG Mei Ling, Marina	5/5	–	–	–	✓	✓
Attendance Rate	100%	100%	100%	100%	100%	100%
Executive Directors						
HAU Shun, Christina (<i>Chief Executive Officer</i>) (appointed on 4 February 2022)	–	–	–	–	–	–
KWONG Chi Kwong (appointed on 11 October 2021)	1/1	–	–	–	–	–
WONG Ka Ki, Ada (<i>Chief Executive Officer</i>) (resigned on 11 October 2021)	3/3	–	2/2	–	✓	✓
Attendance Rate	100%	–	100%	–	100%	100%
Independent Non-executive Directors						
CHENG Wai Chee, Christopher	5/5	2/2	–	2/2	✓	✓
HO Shut Kan	5/5	2/2	–	2/2	✓	✓
IP Yuk Keung, Albert (re-designated as Independent Non-executive Director and appointed as member of the Audit Committee on 21 May 2021)	5/5	1/1	–	–	✓	✓
SHEK Lai Him, Abraham	5/5	2/2	2/2	2/2	✓	✓
Attendance Rate	100%	100%	100%	100%	100%	100%
Overall Attendance Rate	100%	100%	100%	100%	100%	100%

Company Secretary

G. E. Secretaries Limited is the Company Secretary of the REIT Manager. The primary contact person and the officer in charge of the Company Secretary is Ms Wong Mei Ling, Marina who is also a Non-executive Director of the REIT Manager. The Company Secretary of the REIT Manager comprises a team of qualified company secretarial professionals who work with the Compliance Manager closely to provide a full range of company secretarial support and compliance services to the REIT Manager and its Directors. Members of the senior management of the REIT Manager maintain day-to-day contact with the Company Secretary to ensure the Company Secretary has knowledge of the affairs of the Trust. The Company Secretary reports to the Chairman of the Board and the Chief Executive Officer. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Management of Business Risk

The Board of the REIT Manager will meet quarterly or more often if necessary and will review the financial performance of the REIT Manager and Champion REIT against a previously approved budget. The Board will also review any risks to assets of Champion REIT, examine liability management and act upon any recommendations from the auditors of Champion REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. It will review management reports and feasibility studies on individual development projects prior to approving major transactions.

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT Manager and Champion REIT. The management team currently comprises the Chief Executive Officer, the Chief Operating Officer – Risk Management, the Investment and Investor Relations Director, the Business Development Director, the Finance Director, the Head of Operations, the Senior Internal Audit Manager, the Senior IT Project Manager and the Compliance Manager. Apart from the day-to-day interactions, the management team, chaired by the Chief Executive Officer, meets regularly for operation updates and sharing among the team members. In 2021, 12 meetings of the management team were held.

Whistleblowing Policy

The REIT Manager has put in place a Whistleblowing Policy to provide guidelines and channels on reporting possible improprieties in matters of financial reporting or other matters, and reassurance to the whistleblowers. The Whistleblowing Policy sets out the procedures to ensure well defined and accessible channels to report any misconduct, malpractice or irregularity for the independent investigation and appropriate follow up action. The aim of the Whistleblowing Policy is to encourage the reporting of such matters in good faith, with the confidence that the whistleblower be protected against unfair dismissal, victimisation or unwarranted disciplinary action regardless the genuineness and appropriateness of reports.

Unitholder Communication Policy

The REIT Manager has put in place a Unitholder Communication Policy which is designated to promote effective engagement with the Unitholders of Champion REIT, both individual and institutional investors, and other stakeholders, giving them timely and equal access to balanced and understandable information about Champion REIT. The Board reviewed the implementation and effectiveness of the Unitholder Communication Policy in February 2022.

During the year under review, Champion REIT's website was updated on a regular basis to maintain an effective ongoing communication with Unitholders and Unitholders could access the latest information of the Trust through Champion REIT's website. Information released by the Trust to the Stock Exchange was also posted on Champion REIT's website as soon as reasonably practicable thereafter. Unitholders were provided with the opportunities to communicate with the Directors directly at general meetings. Enquires from Unitholders were responded within a specific timeframe. Based on the above, the Board is of the view that the Unitholder Communication Policy is effective.

Staff Dealing Policy

The REIT Manager has put in place a Staff Dealing Policy which is designated to prevent unethical business and legal conflicts and to guard against the misuse of proprietary, confidential and insider information by all employees of the REIT Manager including the Directors (other than Non-executive Directors and Independent Non-executive Directors). The rules under the Staff Dealing Policy are imposed to comply with relevant requirements as set out in the Code of Conduct for Persons Licensed by or Registered with the SFC or the Fund Manager Code of Conduct of the SFC (where applicable) and to comply with general law as well as other applicable rules or laws.

Corporate Governance Report

Conflicts of Interests and Business Competition with Great Eagle

As mentioned hereinbefore, the REIT Manager and the Property Manager provide the management and operating services to Champion REIT respectively. Longworth Management Limited (“Longworth”) acts as Office DMC (deed of covenant) Sub-Manager of Langham Place Officer 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. 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 interests 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 is one of Hong Kong’s leading property companies; the Great Eagle Group also owns and manages an extensive international hotel portfolio branded under “Langham”, “Cordis”, “Eaton” and their affiliate brands. Headquartered in Hong Kong, the Great Eagle 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.

Conflict of Interest

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. In addition, all employees of the REIT Manager (including the Executive Director) are required to declare any conflict of interest in connection with their official duties pursuant to the Code of Conduct of the REIT Manager.

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 Interests

The REIT Manager has instituted various procedures to deal with potential conflicts of interest issues, including but not limited to:

- 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.
- 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.
- 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.
- The management structure of the REIT Manager includes the Audit Committee, the Nomination Committee and the Disclosures Committee to promote a high level of corporate governance and address any potential conflicts of interest with Great Eagle.
- The REIT Manager has adopted the Compliance Manual and Operations Manual which set out detailed compliance procedures in connection with its operations.
- 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.
- All connected party transactions are managed in accordance with the requirements set out in the REIT Code, the Compliance Manual, the Listing Rules and other relevant policies and guidelines issued for and adopted by Champion REIT.

Corporate Governance Report

Reporting and Transparency

Champion REIT will prepare its accounts in accordance with Hong Kong GAAP with a financial year end of 31 December and a financial half-year end of 30 June. While it is a requirement under the REIT Code that the annual report and accounts for Champion REIT shall be published and sent to Unitholders no later than four months following each financial year end and the interim report no later than three months following each financial half-year end, in accordance with the Listing Rules, full-year financial results shall be released by the Trust not later than three months after the end of the financial year.

The REIT Manager will furnish Unitholders with notices of meetings of Unitholders, announcements relating to Champion REIT, circulars in respect of transactions that require Unitholders' approval or information that is material in relation to Champion REIT (such as connected party transactions, transactions that exceed a stated percentage threshold, a material change in Champion REIT's financial forecasts, an issue of new Units or a valuation of real estate held by Champion REIT). Under the Trust Deed, the REIT Manager is required to keep Unitholders informed of any material information pertaining to Champion REIT in a timely and transparent manner as required by the REIT Code.

Champion REIT appoints Deloitte Touche Tohmatsu as its external auditor. The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report. During the year, the fees payable to the external auditor of Champion REIT amounted to HK\$2,641,000 (2020: HK\$2,527,000) for audit and audit related services, and HK\$685,000 (2020: HK\$1,692,000) for non-audit services.

General Meetings

Attendance

Champion REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The 2021 annual general meeting ("2021 AGM") of Champion REIT was held on 20 May 2021 and all the Directors attended the meeting. The chairman of the Board and the chairman of the Audit Committee, Nomination Committee and Disclosures Committee also have attended the 2021 AGM to answer questions from Unitholders. The external auditor was also available at the meeting to answer any questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and any other related questions raised by the Unitholders.

In addition, an extraordinary general meeting of Champion REIT was held on 20 May 2021 at which special resolutions in relation to the increase in Property Development Cap (as defined in the REIT Code) and amendments to the Trust Deed were passed. All the Directors and the legal advisor attended the meeting.

Notice

The Trustee or the REIT Manager may at any time convene a meeting of Unitholders. The REIT Manager will also convene a meeting of Unitholders if requested in writing by not less than two Unitholders registered as holding together not less than 10% of the Units for the time being in issue and outstanding. While it is a requirement under the Trust Deed that at least 14 days' notice of the meeting shall be given to Unitholders where an ordinary resolution is proposed for consideration at such meeting, and at least 21 days' notice shall be given to Unitholders where a special resolution is proposed for consideration at such meeting, the REIT Manager has adopted the requirement under the Corporate Governance Code of the Listing Rules that notice of annual general meeting should be sent at least 20 clear business days before the meeting and notice of all other general meetings should be sent at least 10 clear business days before the meetings.

Quorum

Two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units for the time being in issue and outstanding.

Voting

On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder provided such Units are fully paid up.

For a meeting at which Unitholders have a material interest in the business to be conducted and that interest is different from the interests of other Unitholders as determined by (i) the REIT Manager (where the Unitholder concerned is not a connected person related to the REIT Manager); or (ii) the Trustee (where the Unitholder concerned is a connected person related to the REIT Manager), which includes but not limited to an issue of new Units where a Unitholder may increase his/her holdings of Units by more than his/her pro rata share, such Unitholders shall be prohibited from voting their own Units at or being counted in the quorum for such meeting.

Poll Vote

At any meeting, a resolution put to the meeting shall be decided on a poll, except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder provided that such Units are fully paid up. Votes cast by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted.

On a poll, votes may be given either personally or by proxy. The form of the instrument of proxy used shall be in accordance with the form illustrated in the Trust Deed or in any other form which the Trustee shall approve. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders. A person so authorised shall have the same rights and powers as if he were an individual Unitholder.

Corporate Governance Report

Proceedings of General Meetings

- At each general meeting, each substantially separate issue will be considered by a separate resolution.
- Copies of the corporate communications including circulars, explanatory statements and related documents will be despatched to Unitholders no less than 14 days for ordinary resolution and no less than 21 days for special resolution prior to the meeting. Detailed information on each resolution to be proposed will also be provided.
- The external auditor will attend annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence and any other related questions as may be raised by the Unitholders.
- All votes of Unitholders at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- Independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be posted on the websites of Champion REIT and the Stock Exchange on the same day after the meeting.

Communication with Unitholders

We recognise the importance of maintaining an ongoing dialogue with our Unitholders. The Unitholder Communication Policy has been adopted to promote effective engagement with Unitholders, institutional investors and other stakeholders. Maintaining timely, mutual and effective communication with Unitholders and the investment community about corporate strategy, business development and prospects is an important priority for Champion REIT. The chairman of the Board would attend the annual general meeting ("AGM") and the representative of the Audit, Disclosures and Nomination Committees and the external auditor would be available to answer questions. A timeline of significant events setting out the important dates for Champion REIT and the Unitholders is provided in this Annual Report on page 2 as a quick reference. The REIT Manager meets existing and potential investors, financial analysts and media at one-on-one meetings, group meetings, local and overseas conference and roadshows regularly. Analyst briefings and investor meetings were held during the year.

In light of the outbreak of COVID-19, Champion REIT implemented a number of precautionary measures for the 2021 AGM, including distant seat arrangement and restricting the number of Unitholders in the 2021 AGM venue.

One of the principal channels of communication with the Unitholders is the AGM. Champion REIT ensures that Unitholders' views are communicated to the Board. Total voting rights of Unitholders present at the AGM personally or by proxy in the past five years are as follows:

Year of AGM	2017	2018	2019	2020	2021
Total voting rights at the AGM					
Number of shares represented	4,528,815,468	4,551,327,954	4,695,167,710	4,479,024,133	4,442,454,230
% of shares represented	77.92%	78.00%	80.14%	76.06%	75.02%
Number of issued shares as at the date of the AGM	5,811,998,520	5,834,898,392	5,858,503,599	5,888,833,523	5,921,451,723

To ensure efficient communication, all corporate communications of Champion REIT, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant information, are available on the website of Champion REIT at www.ChampionReit.com. Investors and Unitholders may visit the website for details of the recent press release and results announcement presentation.

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Unitholders, Champion REIT has provided Unitholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of Champion REIT for the information or action of Unitholders as defined in Rule 1.01 of the Listing Rules) by electronic means through Champion REIT's website or in printed form.

In accordance with the Operations Manual, it is an on-going responsibility of the Chief Investment Officer and Investment and Investor Relations Director to receive and handle investor comments/feedback. All comments/feedback and complaints about Champion REIT from an investor's perspective must be recorded in a register. Sufficient details of the person who made the comments/feedback and the measures to deal with the request must be recorded. When recording the comments/feedback, the next critical date in the comments/feedback handling procedure must be noted and adhered to, until the relevant matter has been resolved. The Directors will be kept informed at the Board meetings of the complaints being made (if any), the procedures being used to handle the complaints, and any remedial action taken or proposed to be taken. Any trends will be identified.

Investors and Unitholders may at any time direct their enquiries about the Trust to the Board by writing to the REIT Manager's office in Hong Kong at Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong or by email to info@eam.com.hk.

Distribution

Unitholders will be entitled to receive distributions when declared by the REIT Manager out of assets legally available for the payment of distributions. Under the REIT Code and Trust Deed, the Trust shall distribute to Unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. Pursuant to the Trust Deed, The REIT Manager will endeavour to ensure that for there is at least one distribution period for each financial year and the last distribution period ends on the last day of the financial year. The effective payout ratio for the year ended 31 December 2021 is 90%.

Corporate Governance Report

Matters to be decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things:

- (a) change in the REIT Manager's investment policies/strategies for Champion REIT;
- (b) disposal of any real estate investment of Champion REIT or shares in any special purpose vehicles holding such real estate investment within two years of acquisition;
- (c) any increase in the rate of the REIT Manager's fees above the permitted limit or change in the structure of the REIT Manager's fees;
- (d) any increase in the rate of the acquisition fees above the permitted limit or change in the structure of the acquisition fees;
- (e) any increase in the rate of the divestment fees above the permitted limit or change in the structure of the divestment fees;
- (f) any increase in the rate of the Trustee's fees above the permitted limit or change in the structure of the Trustee's fees;
- (g) certain modifications of the Trust Deed;
- (h) termination of Champion REIT;
- (i) merger of Champion REIT;
- (j) removal of Champion REIT's auditors and appointment of new auditors; and
- (k) removal of the Trustee.

As stated above, the quorum for passing a special resolution is two or more Unitholders present in person or by proxy registered as holding not less than 25% of the Units in issue and outstanding. A special resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at duly convened meeting and the votes shall be taken by way of poll.

Inside Information

The REIT Manager has put in place Guidelines and Procedures on Preservation and Disclosure of Inside Information which sets out procedures and internal controls for the REIT Manager on handling and dissemination of inside information. When information is determined by management to be inside information, Chief Executive Officer will evaluate the situation and make recommendation to the Chairman on whether or not the issue shall be escalated to the Board who will then determine the appropriate actions to be taken including public disclosure.

Issue of Further Units

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the Trust Deed and the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights in certain circumstances up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate.

The REIT Manager and Champion REIT may issue Units or convertible instruments to a connected person, without the requirement of obtaining Unitholders approval under certain circumstances, including where: (i) the connected person receives a pro rata entitlement in its capacity as a Unitholder; or (ii) Units are issued to the connected person to satisfy part or all of the REIT Manager's remuneration; or (iii) Units are issued to the connected person pursuant to a reinvestment of distribution in accordance with the Trust Deed, subject to certain conditions.

Where the issue of Units would give rise to a conflict of interest on the part of the REIT Manager or its Connected Persons, the REIT Manager and its Connected Persons shall abstain from voting in relation to any issuance of Units.

As at 31 December 2021, the total number of issued Units of Champion REIT was 5,937,079,598. As compared with the position of 31 December 2020, a total of 30,936,897 new Units were issued during the year.

Date	Particulars	No. of Units
1 January 2021	Number of issued Units	5,906,142,701
5 March 2021	Issue of new Units 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 in respect of the real estate held by Champion REIT of approximately HK\$69,166,000 payable by Champion REIT for the six months ended 31 December 2020	15,309,022
25 August 2021	Issue of new Units to the REIT Manager at the price of HK\$4.390 per Unit (being the Market Price ascribed in the Trust Deed) as payment of 50% of the Manager's fee in respect of the real estate held by Champion REIT of approximately HK\$68,606,000 payable by Champion REIT for the six months ended 30 June 2021	15,627,875
31 December 2021	Number of issued Units	5,937,079,598

Corporate Governance Report

Risk Management and Internal Control Systems

The Board is entrusted with the overall responsibility on an ongoing basis for ensuring that adequate and effective risk management and internal control systems are established and maintained for the REIT Manager. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are adequate and effective risk management and internal control systems for the REIT Manager:

- (a) A good control environment including well defined organizational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted at least annually by the REIT Manager;
- (c) Appropriate risk mitigating activities including clear and written policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives of the REIT;
- (d) Effective information platforms to facilitate internal and external information flow; and
- (e) Structured Internal Audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the Internal Audit function, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

A risk management framework is implemented that provides a structured basis where all key risks (including but not limited to governance and strategy, regulatory compliance, people and talent, technology and operations, financial, economic, legal and ESG) are identified, analysed, evaluated, treated, monitored and reported in a consistent manner at all levels across Champion REIT to support development and achievement of overall strategy and business objectives. Risk Register summarising the nature and extent of significant risks faced by the REIT Manager, and relevant risk mitigating activities is maintained for reporting annually to the Audit Committee.

With adoption of a risk-based approach, Internal Audit takes the lead to evaluate the risk management and internal control systems of the REIT Manager by reviewing all its major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The 2-year audit plan of the Internal Audit function is approved by the Audit Committee. Internal Audit reports directly to the Audit Committee. Results of the audit reviews in the form of internal audit reports are submitted to the members of the Audit Committee for discussion at the Audit Committee meetings. The internal audit reports are also followed up by Internal Audit to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2021 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the REIT Manager has maintained adequate and effective risk management and internal control systems for the year ended 31 December 2021.

INTEREST OF, AND DEALINGS IN UNITS BY, DIRECTORS, THE REIT MANAGER OR THE SIGNIFICANT UNITHOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (“Code on Securities Dealings”) governing dealings in the securities of Champion REIT by the Directors of the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to the Code on Securities Dealings, any Directors wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself/herself or others. The Code on Securities Dealings also extends to senior executives and officers of the REIT Manager. Specific enquiry has been made with the REIT Manager’s Directors, senior executives and officers and they have confirmed that they complied with the required standard set out in the Code on Securities Dealings throughout the year ended 31 December 2021.

Directors who are in possession of, aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any unpublished inside information must refrain from dealing in the Units as soon as they possess, become aware of or privy to such information until proper disclosure of the information in accordance with the REIT Code and any applicable provisions of the Listing Rules. Directors who are privy to relevant negotiations or agreements or any inside information should caution those Directors who are not so privy that there may be unpublished inside information and that they must not deal in Champion REIT’s securities until proper disclosure of information has been made. The above restrictions on dealings will be regarded as equally applicable to any dealings by the close associates of Directors.

The REIT Manager has also adopted procedures for the monitoring of disclosure of interests by the Directors, the Chief Executive Officer of the REIT Manager, and the REIT Manager, to whom the provisions of Part XV of the SFO shall apply.

Under the Trust Deed and by virtue of Part XV of the SFO, Unitholders will have a notifiable interest if their holdings of Units reach or exceed the notifiable percentage level (as defined in the SFO for the purposes of Part XV of the SFO), i.e. 5% of the Units then in issue, and will be required to notify the Stock Exchange and the REIT Manager of their holdings in Champion REIT. The REIT Manager keeps a register for these purposes and records in the register, against a person’s name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the REIT Manager.

BUY-BACK, SALE OR REDEMPTION OF CHAMPION REIT’S SECURITIES

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 year ended 31 December 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.

REAL ESTATE SALE AND PURCHASE

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the REIT Code) during the year ended 31 December 2021. Nevertheless, on 9 April 2021, Champion REIT acquired 27% shareholding interest in a joint venture (“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 (“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.

Corporate Governance Report

RELEVANT INVESTMENTS AND INVESTMENTS IN PROPERTY DEVELOPMENT AND RELATED ACTIVITIES

As at 31 December 2021, the portfolio of Relevant Investments represented approximately 0.49% of the gross asset value of Champion REIT. The combined value of (i) all Relevant Investments; (ii) all Non-qualified Minority-owned Properties; (iii) other ancillary investments; and (iv) all of the Property Development Costs (as defined in 7.2C of the REIT Code) represented approximately 0.96% of the gross asset value of Champion REIT as at 31 December 2021, and therefore is within the Maximum Cap, being 25% of the gross asset value of Champion REIT.

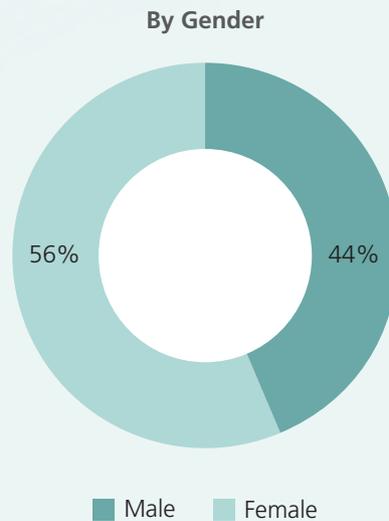
The full investment portfolio of the Relevant Investments¹ of Champion REIT as at 28 February 2022⁴ is set out below:

As at 28 February 2022	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)
Bonds Investment								
NANFUN 4 ½ 09/20/22 EMTN	Bond	Singapore Exchange	BVI	USD	9,797	9,467	0.0141%	BBB- / Baa3 / -
NANFUN 4 7/8 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,602	55,344	0.0823%	BBB- / Baa3 / -
HKTGHD 3 ¾ 03/08/23	Bond	Singapore Exchange	BVI	USD	49,641	50,052	0.0744%	BBB / Baa2 / -
CAPG 6.35 02/08/24	Bond	Singapore Exchange	Cayman Islands	USD	38,747	7,236	0.0108%	- / - / C
MOLAND 11 ½ 11/13/22	Bond	Singapore Exchange	Cayman Islands	USD	3,809	1,211 ⁵	0.0018%	- / - / -
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	46,493	36,774	0.0547%	BB- / - / BB
Sub-total					205,089	160,084	0.2381%	
Equity Investment								
EC Healthcare (Stock Code: 2138.HK)	Equity	Hong Kong Exchange	Cayman Islands	HKD	51,810	96,777	0.1439%	N/A
Total					256,899	256,861	0.3820%	

- 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.
 - Based on the publicly available latest transaction price (as of 15 October 2021).

EMPLOYEES

Champion REIT is managed by the REIT Manager and does not directly employ any staff itself. The following chart shows the breakdown of the employees of the REIT Manager who were engaged in the operation and management of the REIT Manager and Champion REIT as at 31 December 2021:



COMPLIANCE

During the year ended 31 December 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 contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021.

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.

Corporate Governance Report

REVIEW OF ANNUAL REPORT

The annual report of Champion REIT for the year ended 31 December 2021 has been reviewed by the Audit Committee and Disclosures Committee of the REIT Manager and approved by the Board of the REIT Manager.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of the accounts of Champion REIT for the year ended 31 December 2021. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2021 have been audited by the Independent Auditor, Messrs Deloitte Touche Tohmatsu. The statement about their responsibilities on the financial statements of Champion REIT for the year ended 31 December 2021 is set out in the Independent Auditor's Report on pages 124 to 128 of this Annual Report.

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 12 months ended 31 December 2021 ("Year").

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 Annual Report. 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.

Connected Party Transactions – Rental Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Best Come Limited	Subsidiary of Great Eagle	Leasing transaction ¹	56,448,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ²	375,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing transaction ³	8,526,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Leasing transaction ⁴	8,161,000
Noodlemeen Limited	Subsidiary of Great Eagle	Leasing transaction	425,000
Noodlemeen Limited	Subsidiary of Great Eagle	Leasing related income	87,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Car parking fee	288,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Car parking fee	60,000
Total			74,370,000

Connected Party Transactions Report

Connected Party Transactions – Building Management Fee Income (Revenue)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Best Come Limited	Subsidiary of Great Eagle	Building management fee income ¹	5,347,000
Eagle Asset Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ²	83,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Building management fee income ³	956,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Building management fee income ⁴	928,000
Noodlemeen Limited	Subsidiary of Great Eagle	Building management fee income	574,000
Total			7,888,000

Connected Party Transactions – Estate Management Transactions (Expenditures)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Estate management expense	186,060,000 ⁵
Keysen 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	4,164,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,814,000
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repair and maintenance services and other miscellaneous expense	8,023,000
GE (LHIL) Lessee Limited	Subsidiary of Great Eagle	Property miscellaneous expense	143,000
Noodlemeen Limited	Subsidiary of Great Eagle	Marketing expense	455,000
Clever Gain Investment Limited	Subsidiary of Great Eagle	Marketing expense	43,000
Total			200,703,000

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 Year-end date.
2. A security deposit, by way of cash of approximately HK\$119,000 provided by Eagle Asset Management (CP) Limited, was held by the Trust as at the Year-end date.
3. Security deposits, by way of bank guarantee and cash in an aggregate amount of approximately HK\$3,188,000 provided by Eagle Property Management (CP) Limited, were held by the Trust as at the Year-end date.
4. A security deposit, by way of cash of approximately HK\$1,935,000 provided by Keysen Property Management Services Limited, was held by the Trust as at the Year-end date.
5. Out of this HK\$186,060,000, approximately HK\$127,805,000 represents the amount of reimbursement for estate management expenses paid out under the Langham Place Mall Estate Management Agreement and approximately HK\$55,966,000 represents the total renovation contract cost of Langham Place Mall awarded during the Year which shall be reimbursed to Keysen Property Management Services Limited under the Langham Place Mall Estate Management Agreement. The remaining amount of approximately HK\$2,289,000 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 Keysen 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; so as to enable the Mall Estate Manager to make payments under estate management expenses.
6. The annual value of the Connected Party Transactions were within the respective annual limits set out in the following table as approved by the unitholders in the Extraordinary General Meeting held on 18 December 2019:

	Annual Limit for the year ended 31 December 2021 HK\$
I. Revenue	
Rental income	144,117,000
Building management fee	17,333,000
Total:	161,450,000
II. Expenditure	
Estate management transactions	260,093,000
Potential property management agreement(s) transactions	55,060,000
Total:	315,153,000

Connected Party Transactions Report

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, 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 Year HK\$
Langham Place Mall Estate Management Agreement ⁵	Keysen Property Management Services Limited (as the Langham Place Mall Estate Manager)	Subsidiary of Great Eagle	Reimbursement of estate management expense	183,771,000
CAF Management Agreement (in relation to the common areas/facilities of Langham Place)	Keysen Property Management Services Limited (as the CAF Estate Manager of Langham Place)	Subsidiary of Great Eagle	Reimbursement of estate management expense	2,289,000

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 Year 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	2,418,000
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	53,286,000

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

Name/ Description of Agreement	Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income/ Expenses for the Year HK\$
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	104,546,000 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	165,660,000

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 Year-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 Year-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 Year-end date.
4. Out of this HK\$104,546,000, approximately HK\$75,173,000 represents the amount of property and lease management service fee paid, approximately HK\$19,835,000 represents the amount of rental commission paid and approximately HK\$9,538,000 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 Year 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:

REIT Manager's Fee

During the Year, The REIT Manager's fee of approximately HK\$265,999,000, being 12% of the net property income of Champion REIT (including minority-owned property) for such services rendered during the Year, 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 Year, the REIT Manager's fee, paid and payable in the form of Units, is in the amount of approximately HK\$132,999,000 and the REIT Manager's fee, paid and payable in the form of cash, is in the amount of approximately HK\$133,000,000.

REIT Manager's Acquisition Fee

During the Year, 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.

Other Miscellaneous Expenditure

Approximately HK\$1,000 in respect of the venue rental fees for client meeting during the Year was paid by Champion REIT to Best Come Limited, a wholly-owned subsidiary of Great Eagle.

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 Year.

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 Year HK\$
HSBC Group	Trustee Connected Persons	Interest income from ordinary banking services	1,152,000
HSBC Group	Trustee Connected Persons	Bank charges	506,000
HSBC	Trustee Connected Persons	Loan and interest rate swap interest/expense	13,386,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Loan upfront fee and interest/expense	57,899,000
Hang Seng Bank Limited ¹	Trustee Connected Persons	Agency fee expense	195,000

Note:

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 Year. The total notional amount in respect of such swap contracts with HSBC was US\$386.4 million as at the Year-end date.

Interest rate swap contracts between CP Success Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) and HSBC expired as the Year-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 31 December 2021, a total of HK\$200 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 31 December 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 31 December 2021, a total of HK\$1,200 million was drawn and outstanding.

Connected Party Transactions – Others

During the Year, the trustee fee of approximately HK\$10,131,000 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 ventures 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.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE REIT MANAGER

The Independent Non-executive Directors of the REIT Manager confirm that they have reviewed all relevant connected party transactions (including those connected party transactions with the Great Eagle Connected Persons Group, the Trustee Connected Persons and the HSBC Group) during the Year as disclosed above and they are satisfied that these transactions have been entered into:

- (i) in the ordinary and usual course of business of Champion REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Champion REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the REIT Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders of Champion REIT as a whole.

REPORT FROM AUDITOR OF CHAMPION REIT

Messrs Deloitte Touche Tohmatsu, auditor of Champion REIT was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions on rental income, building management fee income, estate management transactions, and ordinary banking and financial services in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code (both the fifth and sixth edition) granted by the Securities and Futures Commission of Hong Kong ("SFC"). A copy of auditor's letter has been provided by the REIT Manager to the SFC.

Hong Kong, 21 February 2022

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 31 December 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 ⁸	Percentage of Issued Units ⁹
Lo Ka Shui	Beneficial Owner	Personal Interests	3,592,007		
	Interests of Controlled Corporations	Corporate Interests	4,026,058,972 ¹		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	19,115,000	4,048,765,979 ²	68.19
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730	13,424,730 ⁵	0.23
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	200,000	200,000 ⁶	0.00

REIT Manager

(also a substantial Unitholder)

Name	Total Number of Units/ Underlying Units Held ⁸	Percentage of Issued Units ⁹
Eagle Asset Management (CP) Limited	500,057,004	8.42

Disclosure of Interests

Substantial Unitholders

Name	Total Number of Units/ Underlying Units Held ⁸	Percentage of Issued Units ⁹
Great Eagle Holdings Limited ("Great Eagle")	4,022,800,362 ³	67.76
HSBC International Trustee Limited	3,960,923,284 ⁴	66.72
HKSCC Nominees Limited	2,321,554,894 ⁷	39.10
Top Domain International Limited	1,420,416,628	23.92
Keen Flow Investments Limited	1,071,375,933	18.05
Bright Form Investments Limited	680,232,558	11.46

Notes:

- Among these 4,026,058,972 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
 - 4,022,800,362 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 36,764,875 Units/underlying Units in aggregate as compared with the position as at 30 June 2021.
- The 4,022,800,362 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 31 December 2021 and 30 June 2021 respectively:

Name	Number of Units/ Underlying Units Held As at 31 December 2021	Number of Units/ Underlying Units Held As at 30 June 2021
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	500,057,004	484,429,129
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	86,269,993	65,132,993
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 30 June 2021, 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 31 December 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 29.93% voting right in the capital of Great Eagle as at 31 December 2021.

5. The unitholdings of Mr Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 30 June 2021.
6. The unitholdings of Ms Wong Mei Ling, Marina remained unchanged as compared with the position as at 30 June 2021.
7. 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 561,230 Units when compared with the position as at 30 June 2021.
8. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.
9. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,937,079,598 as at 31 December 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 31 December 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.

Disclosure of Interests

HOLDINGS OF OTHER CONNECTED PERSON

As at 31 December 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 remained unchanged as compared with the position as at 30 June 2021.
2. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,937,079,598 as at 31 December 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 31 December 2021.

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 31 December 2021, Great Eagle owned 4,022,800,362 Units and/or underlying Units (67.76%) in Champion REIT and 2,248,977,633 share stapled units (69.39%) 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 31 December 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	61,349,517	2,678,000	468,416,461
		Interests of Controlled Corporations	92,978,826		
	Founder of a Discretionary Trust	64,472,192			
	Discretionary Beneficiary of a Discretionary Trust	246,937,926			
Ip Yuk Keung, Albert	Beneficial Owner	Personal Interests	60,000		60,000
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	27,000	307,000	334,000
Kwong Chi Kwong	Beneficial Owner	Personal Interests	13,000	52,000	65,000

Disclosure of Interests

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 Interests of Controlled Corporations	Personal Interests	31,584,000	
		Corporate Interests	2,252,067,633 ²	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	90,010,250	2,373,661,883
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 2,252,067,633 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) 2,248,977,633 share stapled units of Langham held by Great Eagle as at 31 December 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.

Financials

- 124 Independent Auditor's Report
- 129 Consolidated Income Statement
- 130 Consolidated Statement of Comprehensive Income
- 131 Consolidated Statement of Financial Position
- 132 Consolidated Statement of Changes in Net Assets Attributable to Unitholders
- 133 Distribution Statement
- 134 Consolidated Statement of Cash Flows
- 135 Notes to the Consolidated Financial Statements
- 199 Major Real Estate Agents and Contractors
- 200 Performance Table



Independent Auditor's Report

Deloitte.

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TO THE UNITHOLDERS OF 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))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Champion Real Estate Investment Trust ("Champion REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 129 to 198, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2021 and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter

Valuation of investment properties

We have identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments in determining the fair value. As disclosed in note 15 to the consolidated financial statements, the Group's investment properties amounted to HK\$65,296,000,000, representing 96% of the Group's total assets, with its change in fair value included in the consolidated income statement. During the year, a decrease in fair value of investment properties amounted to HK\$2,079,354,000.

The Group's investment properties are carried at fair value based on the valuations performed by an independent qualified professional valuer. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in note 15 to the consolidated financial statements. The valuations are dependent on key inputs, together with significant assumptions, that involve judgments, including capitalisation rates and market rents. Eagle Asset Management (CP) Limited (the "Manager" of Champion REIT) has reviewed and exercised its judgment on the key inputs to the valuations and the results.

How our audit addressed the key audit matter

Our procedures in relation to assessing the appropriateness of the valuation of investment properties included:

- evaluating the competence, capabilities, and objectivity of the independent qualified professional valuer;
- understanding the independent qualified professional valuer's valuation process and methodology (including any limitations of scope imposed by the Manager), the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used in the valuations;
- evaluating the reasonableness of the methodology and assumptions to industry norms;
- assessing the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the respective underlying existing tenancy agreements; (ii) comparing with relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the neighbourhood; and
- performing analysis on the key inputs to evaluate the results on the valuations.

Independent Auditor's Report

Other Information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Those Charged with Governance for the Consolidated Financial Statements

The Manager is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of 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") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 February 2022

Consolidated Income Statement

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Rental income	6	2,464,195	2,599,093
Building management fee income		274,190	287,063
Rental related income	7	30,828	34,164
Total revenue		2,769,213	2,920,320
Property operating expenses	8	(572,198)	(573,217)
Net property income		2,197,015	2,347,103
Other income	9	82,018	54,368
Manager's fee	10	(265,999)	(281,652)
Trust and other expenses		(23,892)	(26,021)
Decrease in fair value of investment properties	15	(2,079,354)	(13,847,195)
Allowance for credit losses on notes receivables and interest receivables	16, 19	(76,149)	–
Finance costs	11	(431,336)	(472,803)
Share of results of a joint venture		22,314	–
Loss before tax and distribution to unitholders	12	(575,383)	(12,226,200)
Income taxes	13	(255,981)	(270,890)
Loss for the year, before distribution to unitholders		(831,364)	(12,497,090)
Distribution to unitholders		(1,352,982)	(1,476,445)
Loss for the year, after distribution to unitholders		(2,184,346)	(13,973,535)
Basic loss per unit	14	HK\$(0.14)	HK\$(2.12)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Loss for the year, after distribution to unitholders	(2,184,346)	(13,973,535)
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	67,393	21,001
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(341)	–
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	47,586	(212,655)
Reclassification of fair value adjustments to profit or loss	36,956	43,724
	151,594	(147,930)
Total comprehensive expense for the year	(2,032,752)	(14,121,465)

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Investment properties	15	65,296,000	67,318,000
Notes receivables	16	164,483	242,524
Interests in a joint venture	17	312,753	–
Equity instruments at fair value through other comprehensive income	18	136,814	77,950
Derivative financial instruments	22	15,732	–
Total non-current assets		65,925,782	67,638,474
Current assets			
Trade and other receivables	19	285,869	316,785
Notes receivables	16	9,411	1,902,200
Tax recoverable		23,217	2,194
Short-term bank deposit	20	–	191,485
Bank balances and cash	20	1,628,725	1,642,094
Total current assets		1,947,222	4,054,758
Total assets		67,873,004	71,693,232
Current liabilities			
Trade and other payables	21	1,505,049	2,115,122
Deposits received		728,155	741,215
Derivative financial instruments	22	–	23,704
Tax liabilities		16,429	46,650
Distribution payable		642,161	752,780
Bank borrowings	23	1,383,286	3,441,549
Medium term notes	24	643,000	–
Total current liabilities		4,918,080	7,121,020
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	22	32,584	99,583
Bank borrowings	23	6,255,820	5,347,376
Medium term notes	24	7,006,560	7,608,548
Deferred tax liabilities	25	697,341	659,107
Total non-current liabilities, excluding net assets attributable to unitholders		13,992,305	13,714,614
Total liabilities, excluding net assets attributable to unitholders		18,910,385	20,835,634
Net assets attributable to unitholders		48,962,619	50,857,598
Number of units in issue ('000)	26	5,937,080	5,906,143
Net asset value per unit	28	HK\$8.25	HK\$8.61

The consolidated financial statements on pages 129 to 198 were approved and authorised for issue by the Board of Directors of Eagle Asset Management (CP) Limited, as the Manager of Champion Real Estate Investment Trust ("Champion REIT"), on 21 February 2022 and were signed on its behalf by:

Lo Ka Shui
DIRECTOR

Hau Shun, Christina
DIRECTOR

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2021

	Issued units HK\$'000 (note 26)	Hedging reserve HK\$'000	Investment valuation reserve HK\$'000	Exchange translation 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	24,564,410	44,545	-	-	5,757,943	34,467,424	64,834,322
Loss for the year, after distribution to unitholders	-	-	-	-	-	(13,973,535)	(13,973,535)
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	21,001	-	-	-	21,001
Cash flow hedges	-	(168,931)	-	-	-	-	(168,931)
Total comprehensive (expense) income for the year	-	(168,931)	21,001	-	-	(13,973,535)	(14,121,465)
Issue of units	144,741	-	-	-	-	-	144,741
Net assets attributable to unitholders as at 31 December 2020	24,709,151	(124,386)	21,001	-	5,757,943	20,493,889	50,857,598
Loss for the year, after distribution to unitholders	-	-	-	-	-	(2,184,346)	(2,184,346)
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	67,393	-	-	-	67,393
Cash flow hedges	-	84,542	-	-	-	-	84,542
Exchange differences arising on translation of foreign operations	-	-	-	(341)	-	-	(341)
Total comprehensive income (expense) for the year	-	84,542	67,393	(341)	-	(2,184,346)	(2,032,752)
Issue of units	137,773	-	-	-	-	-	137,773
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	-	-	(5,864)	-	-	5,864	-
Net assets attributable to unitholders as at 31 December 2021	24,846,924	(39,844)	82,530	(341)	5,757,943	18,315,407	48,962,619

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; and
- (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.

Distribution Statement

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Loss for the year, before distribution to unitholders	(831,364)	(12,497,090)
Adjustments:		
– Gain from derecognition of financial assets measured at amortised cost	–	(2,595)
– Allowance for credit losses on notes receivables and interest receivables	76,149	–
– Manager's fee paid and payable in units	132,999	140,826
– Decrease in fair value of investment properties	2,079,354	13,847,195
– Share of results of a joint venture	(22,314)	–
– Non-cash finance costs	30,256	28,209
– Deferred tax	38,234	37,608
Total distributable income to unitholders (note (i))	1,503,314	1,554,153
Interim distribution, paid to unitholders (note (ii))	710,821	723,665
Final distribution, to be paid to unitholders (note (iii))	642,161	752,780
Total distributions for the year	1,352,982	1,476,445
Payout ratio	90.0%	95.0%
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK\$0.1197	HK\$0.1225
Final distribution per unit, to be paid to unitholders (note (iii))	HK\$0.1082	HK\$0.1271
	HK\$0.2279	HK\$0.2496

Notes:

(i) Pursuant to the Trust Deed, the total distributable income is loss for the year, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. Champion REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial year.

(ii) The interim distribution per unit of HK\$0.1197 for the six months ended 30 June 2021 was calculated based on the interim distribution paid of HK\$710,821,000 for the period and 5,937,079,598 units in issue as of 17 September 2021, which was the record date for the period. The interim distribution was 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 in issue as at 25 September 2020, which was the record date for the period. The interim distribution was paid to unitholders on 9 October 2020.

(iii) The final distribution per unit of HK\$0.1082 for the year ended 31 December 2021 is calculated based on the final distribution to be paid to unitholders of HK\$642,161,000 for the period and 5,937,079,598 units in issue as at 31 December 2021. The final distribution per unit for the year ended 31 December 2021 will be subject to further adjustments upon the issuance of units between 1 January 2022 and 19 May 2022, which is the record date set for such period. The final distribution will be paid to unitholders on 24 May 2022.

The final distribution per unit of HK\$0.1271 for the year ended 31 December 2020 was calculated based on the final distribution paid of HK\$752,780,000 for the period and 5,921,451,723 units in issue as at 29 April 2021, which was the record date for the period. The final distribution was paid to unitholders on 7 May 2021.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES		
Loss before tax and distribution to unitholders	(575,383)	(12,226,200)
Adjustments for:		
Allowance for credit losses on trade receivables	2,987	1,001
Allowance for credit losses on notes receivables and interest receivables	76,149	–
Decrease in fair value of investment properties	2,079,354	13,847,195
Manager's fee paid and payable in units	132,999	140,826
Share of results of a joint venture	(22,314)	–
Other income	(82,018)	(54,368)
Finance costs	431,336	472,803
Exchange difference	(770)	1,082
Operating cash flow before movements in working capital	2,042,340	2,182,339
Decrease (increase) in trade and other receivables	9,146	(102,672)
Increase (decrease) in trade and other payables	139,433	(30,328)
Decrease in deposits received	(13,060)	(58,337)
Cash generated from operations	2,177,859	1,991,002
Interest paid	(413,668)	(447,953)
Hong Kong Profits Tax paid	(268,991)	(467,412)
NET CASH FROM OPERATING ACTIVITIES	1,495,200	1,075,637
INVESTING ACTIVITIES		
Interest received	98,830	45,296
Dividend received	1,971	646
Additions to investment properties	(27,405)	–
Additions to notes receivables	(775,350)	(1,294,971)
Advance to a joint venture	(290,780)	–
Redemption of notes receivables	1,892,683	136,417
Net proceeds from disposal of notes receivables	24,955	–
Net proceeds from disposal of equity instruments at fair value through OCI	8,529	–
Placement of time deposit with original maturity over three months	–	(191,485)
Release of time deposit with original maturity over three months	191,485	200,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,124,918	(1,104,097)
FINANCING ACTIVITIES		
Distribution paid	(1,463,285)	(1,506,717)
Repayment of bank loan	(4,100,000)	(1,085,000)
New bank loan raised	2,955,298	429,000
Bank origination fees paid	(25,500)	(16,150)
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 FINANCING ACTIVITIES	(2,633,487)	(91,101)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,369)	(119,561)
Bank deposit designated to settle consideration payable for notes receivable	–	(775,350)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,642,094	1,761,655
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,628,725	866,744
Bank deposit designated to settle consideration payable for notes receivable	–	775,350
BANK BALANCES AND CASH AT END OF YEAR	1,628,725	1,642,094

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

Champion REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units are listed on The Stock Exchange of Hong Kong Limited (the "HKSE"). Champion REIT is governed by the deed of trust dated 26 April 2006, the First Amending and Restating Deed dated 21 April 2021 and the Supplemental Deed as amended from time to time (the "Trust Deed"), entered into between the Manager and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"), and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the 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 the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("HKFRS 7").

As at 1 January 2021, the Group has several derivative financial instruments, bank borrowings and medium term notes, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts which are based on Hong Kong Interbank Offered Rate ("HIBOR"). The amounts of financial asset and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

	HK\$'000
Financial liabilities	
Bank borrowings	8,788,925
Medium term notes	643,000
Derivatives	
Derivative financial instruments	6,350,000

During the year, the Group’s LIBOR bank borrowing with carrying amount of HK\$305,298,000 has been transitioned to Sterling Over Night Index Average (“SONIA”). Such transition has had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowing measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 34.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the Manager anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- Specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - i. The classification should not be affected by management intentions or expectations to settle the liabilities within 12 months; and
 - ii. If the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- Clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” (Continued)

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

As at 31 December 2021, the Group's current liabilities exceeded its current assets by HK\$2,970,858,000 (2020: HK\$3,066,262,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment. Office demand and retail sentiments are impacted by the outbreak of COVID-19. During the current year, as the economic environment remain uncertain, the consolidated results of operations and fair value of the investment properties were impacted.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Champion REIT and the entities controlled by Champion REIT. Control is achieved when Champion REIT:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a controlled entity begins when the Group obtains control over the controlled entity and ceases when the Group loses control of the controlled entity. Specifically, income and expenses of controlled entities acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains controls until the date when the Group ceases to control the controlled entity.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Interests 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 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, interests in a joint venture is initially recognised in the 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 interest 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.

Interests 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 interests 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in a joint venture (Continued)

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 consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred lease payments. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Rental income which are derived from the Group's ordinary course of business is presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessor (Continued)

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is presented as other income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to profit less distribution.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividend are included in the other income line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment assessment under HKFRS 9 (including trade and other receivables, notes receivables, amount due from a joint venture, time deposits with original maturity over three months and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on financial instruments has not increased significantly since initial recognition if financial instruments are determined to have low credit risk at the reporting date. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group consider that default has occurred when a financial asset is more than 90 days past due unless the Group have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a. significant financial difficulty of the issuer or the borrower;
- b. a breach of contract, such as a default or past due event;
- c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets (Continued)

- d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to profit less distribution.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

In accordance with the Trust Deed, Champion REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period and has a limited life of 80 years less one day from the date of its commencement. Therefore, in addition to the contractual distribution to unitholders, the units issued by Champion REIT contain a contractual obligation upon its termination to distribute a share of all net cash proceeds derived from the sale or realisation of its assets less any liabilities to its unitholders in accordance with their proportionate interests in Champion REIT at the date of its termination. Accordingly, the units issued by Champion REIT are compound instruments that contain both equity and liability components.

Financial liabilities (including trade and other payables, deposits received, distribution payable, bank borrowings and medium term notes) are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Instruments, or components of instruments, that impose on the Champion REIT an obligation to deliver to the holders a pro-rata share of the net assets only on liquidation are presented as equity only when certain specific criteria are met.

Unit issue costs are the transaction costs relating to initial public offering, listing of units of Champion REIT and acquisition of properties are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transaction that otherwise would have been avoided. Other transaction costs are recognised as an expense.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness (Continued)

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.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI under HKFRS 9, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI under HKFRS 9, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Cash flow hedges (Continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs;
or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax and distribution to unitholders as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in net assets attributable to unitholders respectively.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Manager is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Manager has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax or deferred tax assets arising from investment properties that are measured using the fair value model, the Manager has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Manager has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of the investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified valuers to perform the valuation. The Manager works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Manager reports the valuation report and findings to the Manager half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates as described in note 15.

In addition, as described in note 22, the fair values of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps and interest rate swaps are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

Where the actual future market data varies, a material adjustment on the fair values of investment properties, cross currency swaps and interest rate swaps may arise. In relying on the valuation report, the Manager has exercised its judgments and are satisfied that the methods of valuation, assumptions and key inputs are reflective of the current market conditions, taking into consideration the impact of the ongoing development of Covid-19.

Allowance for credit losses on notes receivables

The allowance for credit losses is sensitive to changes in estimates. Due to the significant deterioration in the credit-ratings of some of the bond issuers, the Group has recognised the allowance for credit losses in the current year in view of the uncertainty in the collection of the contractual cash flow in the future. The information about the ECL and the Group's notes receivables are disclosed in notes 16 and 34 respectively.

5. SEGMENT INFORMATION

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

Segment revenue and results

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

For the year ended 31 December 2021

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,607,792	414,073	747,348	2,769,213
Segment results – Net property income	1,312,884	327,230	556,901	2,197,015
Other income				82,018
Manager's fee				(265,999)
Trust and other expenses				(23,892)
Decrease in fair value of investment properties				(2,079,354)
Allowance for credit losses on note receivables and interest receivables				(76,149)
Finance costs				(431,336)
Share of results of a joint venture				22,314
Loss before tax and distribution to unitholders				(575,383)
Income taxes				(255,981)
Loss for the year, before distribution to unitholders				(831,364)
Distribution to unitholders				(1,352,982)
Loss for the year, after distribution to unitholders				(2,184,346)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Decrease in fair value of investment properties	(1,264,000)	(108,000)	(707,354)	(2,079,354)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2020

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

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

For the year ended 31 December 2021

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Building management fee income	148,027	49,292	76,871	274,190
Rental related income	9,555	156	44,343	54,054
Revenue from contracts with customers	157,582	49,448	121,214	328,244
Rental income and rental related income	1,450,210	364,625	626,134	2,440,969
	1,607,792	414,073	747,348	2,769,213

For the year ended 31 December 2020

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Building management fee income	153,965	51,055	82,043	287,063
Rental related income	15,816	498	37,243	53,557
Revenue from contracts with customers	169,781	51,553	119,286	340,620
Rental income and rental related income	1,502,231	377,106	700,363	2,579,700
	1,672,012	428,659	819,649	2,920,320

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

The Group applied the practical expedient in HKFRS 15 by recognising revenue in the amount to which the Group has right to invoice an amount that corresponds directly with the value to customer of the entity's performance completed to date on a time basis. As permitted under HKFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied performance obligation in relation to the building management service as at the end of reporting period is not disclosed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

Total revenue arising from leases for the year ended 31 December 2021 includes variable lease payments that do not depend on an index or a rate of HK\$38,473,000 (2020: HK\$18,794,000), the remaining amounts are lease payments that are fixed.

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2021				
Additions to non-current assets	–	–	57,354	57,354
For the year ended 31 December 2020				
Additions to non-current assets	–	–	–	–

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2021, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$39,868,000,000 (2020: HK\$41,132,000,000), HK\$8,947,000,000 (2020: HK\$9,055,000,000) and HK\$16,481,000,000 (2020: HK\$17,131,000,000), respectively.

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

Geographical information

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

The Group's revenue from external customers and information about its non-current assets (excluding interest in a joint venture) are all located in Hong Kong.

Information about major tenants

For the year ended 31 December 2021, there was one tenant (2020: one) whose revenue contributed over 10% of the total revenue of the Group.

6. RENTAL INCOME

	2021 HK\$'000	2020 HK\$'000
Property rental income	2,416,887	2,557,924
Carpark income	47,308	41,169
	2,464,195	2,599,093

7. RENTAL RELATED INCOME

	2021 HK\$'000	2020 HK\$'000
Interest income from tenants	919	1,341
Promotional levy income	12,614	13,494
Sundry income	17,295	19,329
	30,828	34,164

8. PROPERTY OPERATING EXPENSES

	2021 HK\$'000	2020 HK\$'000
Allowance for credit losses on trade receivables	2,987	1,001
Building management expenses	323,642	323,919
Car park operating expenses	11,317	11,374
Government rent and rates	93,842	100,773
Legal cost and stamp duty	1,989	3,566
Promotion expenses	17,900	23,006
Property and lease management service fee	75,173	78,514
Property miscellaneous expenses	8,421	3,626
Rental commission	29,252	24,782
Repair and maintenance	7,675	2,656
	572,198	573,217

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Bank interest income	1,521	27,962
Bond interest income	78,526	23,165
Dividend income	1,971	646
Gain from derecognition of financial assets measured at amortised cost	–	2,595
	82,018	54,368

10. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK\$200 million for each of the six months ended 30 June 2021 and 31 December 2021, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2021 and 31 December 2021 as remuneration.

	2021 HK\$'000	2020 HK\$'000
Manager's fee:		
In the form of units	132,999	140,826
In the form of cash	133,000	140,826
	265,999	281,652

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 31 December 2021 arising from the properties currently owned by Champion REIT (including the property held by a joint venture) 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.

11. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Finance costs represent:		
Interest expense on bank borrowings	168,555	236,673
Interest expense on medium term notes	256,387	233,314
Other borrowing costs	6,394	2,816
	431,336	472,803

12. LOSS BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2021 HK\$'000	2020 HK\$'000
Loss before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditors' remuneration	2,641	2,527
Trustee's remuneration	10,131	12,852
Principal valuer's fee	230	245
Other professional fees and charges	8,882	7,861
Roadshow and public relations expenses	1,036	1,052
Bank charges	1,009	355
Exchange difference	(770)	1,082
Share of tax of a joint venture (included in the share of results of a joint venture)	3,015	–

13. INCOME TAXES

	2021 HK\$'000	2020 HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	218,274	233,278
– (Over)underprovision in prior years	(527)	4
	217,747	233,282
Deferred tax (note 25)		
– Current year	38,234	37,608
	255,981	270,890

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

The income taxes for the year can be reconciled to the loss before tax and distribution to unitholders as follows:

	2021 HK\$'000	2020 HK\$'000
Loss before tax and distribution to unitholders	(575,383)	(12,226,200)
Tax at the domestic income tax rate of 16.5%	(94,938)	(2,017,323)
Tax effect of income not taxable for tax purpose	(13,402)	(9,970)
Tax effect of expenses not deductible for tax purpose	369,020	2,299,000
Tax effect of share of results of a joint venture	(3,682)	–
(Over) underprovision in prior years	(527)	4
Utilisation of tax loss previously not recognised	(490)	(821)
Income taxes for the year	255,981	270,890

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14. BASIC LOSS PER UNIT

The calculation of the basic loss per unit before distribution to unitholders is based on the loss for the year before distribution to unitholders of HK\$831,364,000 (2020: HK\$12,497,090,000) with the weighted average number of units of 5,928,356,240 (2020: 5,895,625,190) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2021 and 2020.

There were no dilutive potential units in issue during the years ended 31 December 2021 and 2020, therefore the diluted loss per unit has not been presented.

15. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
FAIR VALUE		
At the beginning of the year	67,318,000	81,178,000
Additions during the year	57,354	–
Adjustment to cost accruals	–	(12,805)
Decrease in fair value	(2,079,354)	(13,847,195)
At the end of the year	65,296,000	67,318,000

The fair value of the Group's investment properties at 31 December 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. respectively, independent qualified professional valuers not connected to the Group.

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 taking into consideration of impact of Covid-19 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 Group's property interests held under finance leases, which are located in Hong Kong, are measured using the fair value model and are classified and accounted for as investment properties.

The Group leases the three investment properties, namely Three Garden Road, Langham Place Office Tower and Langham Place Mall, for generating rental income. Further details of the lease arrangements are set out in note 31.

As at 31 December 2020, certain investment properties with total fair value of HK\$20,979,500,000 have been mortgaged as security for credit facilities as detailed in note 23. During the year ended 31 December 2021, all the pledged investment properties have been released upon the settlement of the secured bank borrowings in June 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2021 and 2020 (Continued)					
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0% for retail and 4.1% for office (2020: 4.0% for retail and 4.1% for office).	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 50 basis points higher/lower, while all the other variables were held constant, the carrying value would decrease by approximately HK\$2,724 million (capitalisation rate of 4.5% for retail and 4.6% for office) and increase by approximately HK\$3,495 million (capitalisation rate of 3.5% for retail and 3.6% for office) respectively (2020: decrease by approximately HK\$2,815 million (capitalisation rate of 4.5% for retail and 4.6% for office) and increase by approximately HK\$3,611 million (capitalisation rate of 3.5% for retail and 3.6% for office) respectively).
			Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value would increase by approximately HK\$1,174 million and decrease by approximately HK\$1,174 million, respectively (2020: increase by approximately HK\$1,218 million and decrease by approximately HK\$1,218 million, respectively).

16. NOTES RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Notes receivables	248,514	2,144,724
Less: Allowance for credit losses	(74,620)	–
	173,894	2,144,724
Analysed for reporting purpose:		
Shown under non-current assets	164,483	242,524
Shown under current assets	9,411	1,902,200
	173,894	2,144,724

As at 31 December 2021, the Group held unsecured bonds with aggregate carrying amounts of HK\$173,894,000 (2020: HK\$2,144,724,000), which are denominated in United States dollar (“US\$”) with nominal values ranging from US\$500,000 to US\$8,000,000 (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% (2020: 3.75% to 11.50%) per annum and have maturity dates ranging from January 2022 to October 2025 (2020: January 2021 to October 2025).

Included in the carrying amount of notes receivables as at 31 December 2021 is accumulated allowance for credit losses of HK\$74,620,000 (2020: nil). During the year, the Group recognised HK\$74,375,000 allowance for credit losses on notes receivables in the consolidated income statement. Details of impairment assessment of notes receivables are set out in note 34.

17. INTERESTS IN A JOINT VENTURE

	2021 HK\$'000	2020 HK\$'000
Cost of investments in a joint venture (note 1)	233,733	–
Share of post-acquisition results and other comprehensive income	21,973	–
	255,706	–
Amount due from a joint venture (note 2)	57,047	–
	312,753	–

Notes:

1. Included an amount due from a joint venture of HK\$233,733,000 which is non-interest bearing and such amount is treated as capital contribution to the joint venture.
2. The amount is denominated in Great Britain Pound (“GBP”) and is unsecured, repayable on demand and carrying interest at market rate agreed between the lender and the borrower reasonably and in good faith from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17. INTERESTS IN A JOINT VENTURE (CONTINUED)

On 9 April 2021, the Group entered into a shareholders' agreement in relation to Athene Investment (BVI) Limited ("Athene Investment") with Wing Tai Properties Limited (being a connected person of the Group under 8.1(f) of the REIT Code) and other independent third parties. Athene Investment was established as a joint venture for the purpose of acquiring 100% of the entire share capital of HPREF Athene Investment S.à.r.l., a company incorporated and existing under the laws of Luxembourg and directly holds the leasehold interests in the property situated at 66 Shoe Lane, London EC4A 3BQ (formerly known as Athene Place). The Group owns 27% (27 shares out of 100 shares at USD1 each) shareholding interest in Athene Investment.

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Place of incorporation	Issued and fully paid share capital	Effective interest held by the Group		Principal activity
			2021	2020	
Athene Investment	British Virgin Islands	US\$100	27%	N/A	Investment holding of a subsidiary which is engaged in property investment

The Group's interest in a joint venture amounting to HK\$255,706,000 as at 31 December 2021 are accounted for using the equity method in the consolidated financial statements.

The summarised financial information in respect of Athene Investment at 31 December 2021 is set out below. The summarised financial information below represents amounts shown in Athene Investment's financial statements prepared in accordance with International Financial Reporting Standards.

Athene Investment (BVI) Limited

	2021 HK\$'000
Current assets	105,398
Non-current assets	2,617,372
Current liabilities	238,328
Non-current liabilities	1,537,384
The above amounts of assets and liabilities include the following:	
Investment properties	2,568,710
Cash and cash equivalents	97,135
Current financial liabilities (excluding trade and other payable and provisions)	211,287
Non-current financial liabilities (excluding trade and other payable and provisions)	1,526,488

17. INTERESTS IN A JOINT VENTURE (CONTINUED)

	2021 HK\$'000
Net property income	72,772
Profit from continuing operations	82,645
Total comprehensive income for the year	82,645
The above profit for the year includes the following:	
Interest expense	32,117
Income tax expense	11,166

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2021 HK\$'000
Net assets of Athene Investment	947,058
Proportion of the Group's ownership interest in Athene Investment	27%
Carrying amount of the Group's interest in Athene Investment	255,706

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2021, the Group had listed equity securities listed in Hong Kong with a carrying amount of HK\$136,814,000 (2020: HK\$77,950,000). The listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active market. These investments are held for long-term strategic purposes. The Manager have elected to designate these investments in equity instruments as FVTOCI as the Manager believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	59,734	60,405
Less: Allowance for credit losses	(2,987)	(1,001)
	56,747	59,404
Deferred lease receivables	142,369	165,605
Deposits, prepayments and other receivables	88,532	91,776
Less: Allowance for credit losses	(1,779)	–
	86,753	91,776
	285,869	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.

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:

	2021 HK\$'000	2020 HK\$'000
0 – 3 months	17,754	30,777
3 – 6 months	2,308	16,670
Over 6 months	36,685	11,957
	56,747	59,404

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$ 17,754,000 (2020: HK\$30,777,000), HK\$2,308,000 (2020: HK\$16,670,000) and HK\$36,685,000 (2020: HK\$11,957,000) which are past due within three months, three to six months and over six months respectively at the reporting date for which the Group has not provided any allowance for trade receivables of HK\$56,747,000 (2020: HK\$59,404,000) as there has not been a significant change in credit quality and the amounts are still considered recoverable with most of the balance covered by deposit received.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$2,143,000 (2020: HK\$5,993,000), HK\$nil (2020: HK\$15,813,000) and HK\$nil (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 deterring lease payments.

Included in the carrying amount of other receivables as at 31 December 2021 is accumulated allowance for credit losses of HK\$1,779,000 (2020: HK\$nil).

Details of impairment assessment of trade and other receivables are set out in note 34.

20. SHORT-TERM BANK DEPOSIT AND BANK BALANCES AND CASH

	2021 HK\$'000	2020 HK\$'000
Short-term bank deposit with original maturity of more than three months	–	191,485
Bank balances and cash	848,875	1,211,969
Short-term bank deposit with original maturity of less than three months	779,850	430,125
Bank balances and cash	1,628,725	1,642,094
	1,628,725	1,833,579

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

	2021 HK\$'000	2020 HK\$'000
HK dollar	496,675	701,131
US dollar	1,119,792	1,132,448
GBP	12,258	–
	1,628,725	1,833,579

Cash at banks carry interest at market rates ranging from 0.001% to 0.30% (2020: 0.001% to 0.30%) per annum. Short-term bank deposit with original maturity of less than three months carry interest at a market rate of 0.25% (2020: ranging from 0.37% to 0.69%) per annum. As at 31 December 2020, short-term bank deposit 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

	2021 HK\$'000	2020 HK\$'000
Trade payables	187,771	68,262
Rental received in advance	49,014	33,420
Other payables and accruals (note (i))	304,789	1,049,965
Accrued stamp duty (note (ii))	963,475	963,475
	1,505,049	2,115,122

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. TRADE AND OTHER PAYABLES (CONTINUED)

- (i) As at 31 December 2021, manager's fee payable of 128,787,000 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 for stamp duty is based on the current stamp duty rate of 4.25% (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 interest in Three Garden Road upon listing.

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

	2021 HK\$'000	2020 HK\$'000
0 – 3 months	187,771	68,262

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 HK\$'000	2020 HK\$'000
Derivative as assets		
Designated as cash flow hedge		
– cross currency swaps (note ii)	15,732	–
Analysed for reporting purpose:		
Shown under non-current assets	15,732	–
Derivative as liabilities		
Designated as cash flow hedge		
– interest rate swaps (note i)	30,214	122,115
– cross currency swaps (note ii)	2,370	1,172
	32,584	123,287
Analysed for reporting purpose:		
Shown under current liabilities	–	23,704
Shown under non-current liabilities	32,584	99,583
	32,584	123,287

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes:

(i) Interest rate swaps

As at 31 December 2021 and 2020, 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% (2020: HIBOR 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.

	2021	2020
Carrying amount – (liabilities) (HK\$'000)	(30,214)	(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 year (HK\$'000)	33,783	(184,977)
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	(33,783)	184,977
Weighted average swap rate per annum (before interest margin)	1.27%	1.42%

(ii) Cross currency swaps

As at 31 December 2021 and 2020, 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.

	2021	2020
Carrying amount – assets/(liabilities) (HK\$'000)	13,362	(1,172)
Notional amount (US\$'000)	476,400	386,400
Maturity date	17 January 2023 to 15 June 2030	17 January 2023
Change in fair value of hedging instruments during the year (HK\$'000)	13,803	(27,678)
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	(13,803)	27,678
Weighted average exchange rate (US\$: HK\$)	7.7640	7.7595

(iii) Hedging reserve

	Interest rate swaps HK\$'000	Cross currency swaps HK\$'000	Total hedging reserves HK\$'000
At as 1 January 2020	33,692	10,853	44,545
Fair value adjustments on interest rate swaps and cross currency swaps designated at 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	(121,549)	(2,837)	(124,386)
Fair value adjustments on interest rate swaps and cross currency swaps designated at cash flow hedge	33,783	13,803	47,586
Reclassification of fair value adjustment to profit or loss	57,639	(20,683)	36,956
As at 31 December 2021	(30,127)	(9,717)	(39,844)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

23. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Secured term loan	–	3,450,000
Unsecured term loan	6,292,635	5,392,635
Unsecured revolving loan	1,405,298	–
	7,697,933	8,842,635
Less: unamortised front-end fees	(58,827)	(53,710)
	7,639,106	8,788,925
The maturity of bank borrowings is as follows:		
Shown under current liabilities:		
Within 1 year	1,383,286	3,441,549
Shown under non-current liabilities:		
After 1 year but within 2 years	–	–
After 2 years but within 5 years	6,255,820	5,347,376
	6,255,820	5,347,376
	7,639,106	8,788,925

As at 31 December 2021, total committed loan facilities amounted to HK\$11,400,000,000 (2020: HK\$11,850,000,000), out of which HK\$7,697,933,000 (2020: HK\$8,842,635,000) were drawn and outstanding. Except for the bank borrowings denominated in GBP which bear interest at a floating rate of SONIA plus a margin of 0.93% per annum, the remaining bank borrowings are denominated in Hong Kong dollars and bear interest at a floating rate of HIBOR plus margins ranging from 0.83% 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 term loan granted to the Group, investment properties 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 31 December 2021, the pledge has been released upon the settlement of the secured bank borrowings in June 2021.

24. MEDIUM TERM NOTES

	2021 HK\$'000	2020 HK\$'000
Medium term notes	7,695,890	7,664,522
Origination fees	(46,330)	(55,974)
	7,649,560	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	3,008,647	643,000
After 2 years but within 5 years	1,416,401	4,400,905
After 5 years	2,581,512	2,564,643
	7,006,560	7,608,548
	7,649,560	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 31 December 2021 and 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 interest rate swaps and cross currency swaps, details of which are set out in note 22.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2020	621,774	(275)	621,499
Charge (credit) to consolidated income statement during the year	37,965	(357)	37,608
As at 31 December 2020	659,739	(632)	659,107
Charge (credit) to consolidated income statement during the year	39,454	(1,220)	38,234
As at 31 December 2021	699,193	(1,852)	697,341

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

As at 31 December 2021, the Group has unutilised tax losses amounting to HK\$500,200,000 (2020: HK\$497,112,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$11,224,000 (2020: HK\$3,830,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$488,976,000 (2020: HK\$493,282,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

26. ISSUED UNITS

	Number of units	HK\$'000
Balance at 1 January 2020	5,872,789,311	24,564,410
Payment of Manager's fee through issuance of new units during the year (note (i))	33,353,390	144,741
Balance at 31 December 2020	5,906,142,701	24,709,151
Payment of Manager's fee through issuance of new units during the year (note (i))	30,936,897	137,773
Balance at 31 December 2021	5,937,079,598	24,846,924

26. ISSUED UNITS (CONTINUED)

Note:

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

Issue date	Payment of the Manager's fees for the period	Issue price per unit determined based on the Trust Deed HK\$	Number of units issued	Aggregate issue price HK\$'000
In 2021				
5 March 2021	1.7.2020 to 31.12.2020	4.518	15,309,022	69,166
25 August 2021	1.1.2021 to 30.6.2021	4.390	15,627,875	68,607
			30,936,897	137,773
In 2020				
4 March 2020	1.7.2019 to 31.12.2019	4.555	16,044,212	73,081
4 September 2020	1.1.2020 to 30.6.2020	4.140	17,309,178	71,660
			33,353,390	144,741

27. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2021, 30,936,897 (2020: 33,353,390) units were issued as payment for the Manager's fee amounted to HK\$137,773,000 (2020: HK\$144,741,000).

During the year ended 31 December 2020, a tenant issued 8,078,927 and 4,805,410 of its shares at prevailing market prices of HK\$4.20 each and HK\$4.79 each respectively as settlement of trade receivables in an aggregate amount of HK\$54,354,000. The shares are classified as equity instruments at fair value through other comprehensive income.

28. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2021 of HK\$48,962,619,000 (2020: HK\$50,857,598,000) by the number of units in issue of 5,937,079,598 as at 31 December 2021 (2020: 5,906,142,701).

29. NET CURRENT LIABILITIES

At 31 December 2021, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK\$2,970,858,000 (2020: HK\$3,066,262,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2021, the Group's total assets less current liabilities amounted to HK\$62,954,924,000 (2020: HK\$64,572,212,000).

31. OPERATING LEASE COMMITMENTS

At 31 December 2021 and 2020, undiscounted lease payments receivable on leases are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	2,232,282	2,268,671
In the second year	1,593,369	1,682,867
In the third year	775,248	908,377
In the fourth year	272,963	386,244
In the fifth year	29,323	99,050
Over five years	–	3,393
	4,903,185	5,348,602

The properties held had committed leases usually running for two to six years and rentals are predetermined at fixed amounts except for certain leases of which variable rentals are charged based on the percentage of sales. Variable rental income of HK\$38,473,000 (2020: HK\$18,794,000) was received for the year.

Certain lease payments receivable are calculated based on the estimated market rent to be received from the contracted tenants during specified time intervals of the contracted period as stipulated in the lease agreement.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

32. CAPITAL COMMITMENT

	2021 HK\$'000	2020 HK\$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	45,083	45,083

33. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2021 HK\$'000	2020 HK\$'000
<i>Rental income</i>			
Keyesen Property Management Services Limited	(a)	8,221	8,634
Eagle Asset Management (CP) Limited	(a)	663	663
Eagle Property Management (CP) Limited	(a)	8,526	8,908
Best Come Limited	(a)	56,448	56,448
Ease Treasure Investment Limited	(a)	–	10,143
Noodlemeen Limited	(a)	425	42
<i>Interest income</i>			
HSBC Group ^{1,3}	(b)	1,152	7,453
<i>Building management fee income</i>			
Keyesen Property Management Services Limited	(a)	928	928
Eagle Asset Management (CP) Limited	(a)	83	83
Eagle Property Management (CP) Limited	(a)	956	956
Best Come Limited	(a)	5,347	5,347
Ease Treasure Investment Limited	(a)	–	1,206
Noodlemeen Limited	(a)	574	329
<i>Rental related income</i>			
Noodlemeen Limited	(a)	87	50
<i>Building management expenses and car park operating expenses</i>			
Keyesen Property Management Services Limited	(a)	307,710	281,865
Longworth Management Limited	(a)	53,286	53,286
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(a)	75,173	78,514
<i>Rental commission</i>			
Eagle Property Management (CP) Limited	(a)	19,835	17,788
Colliers International Agency Limited ³	(c)	–	3,456
<i>Repairs and maintenance fee</i>			
Selex Engineering Services Limited	(a)	605	381
Toptech Co. Limited	(a)	553	369
Keyesen Engineering Company, Limited	(a)	1,348	1,208
Keyesen Property Management Service Limited	(a)	1	1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

33. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2021 HK\$'000	2020 HK\$'000
<i>Repairs and maintenance and improvement works contracted to</i>			
Selex Engineering Services Limited	(a)	4,164	668
Toptech Co. Limited	(a)	1,814	207
Keyesen Engineering Company, Limited	(a)	8,023	8,606
Keyesen Property Management Services Limited	(a)	1	1
<i>Promotion expenses</i>			
Eagle Property Management (CP) Limited	(a)	–	(11)
<i>Property miscellaneous expenses</i>			
GE (LHIL) Lessee Limited	(a)	143	141
Clever Gain Investment Limited	(a)	43	–
Keyesen Engineering Company, Limited	(a)	–	19
Noodlemeen Limited	(a)	455	–
<i>Trustee's fee and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited ³	(b)	10,131	12,852
Best Come Limited	(a)	1	3
HSBC Group ^{1,3}	(b)	506	212
Eagle Asset Management (CP) Limited	(a) & (g)	4,360	–
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(a) & (d)	265,999	281,652
<i>Finance costs</i>			
Hang Seng Bank Limited ³	(b)	40,907	84,949
The Hongkong and Shanghai Banking Corporation Limited ³	(b)	13,811	11,802
<i>Valuation fee</i>			
Colliers International (Hong Kong) Limited ³	(c)	–	245
<i>Additions to investment properties</i>			
Keyesen Property Management Services Limited	(a)	55,966	–

33. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
<i>Amount due from (included in trade and other receivables)</i>			
Keyesen Property Management Services Limited	(a) & (e)	40,970	40,970
Longworth Management Limited	(a) & (e)	15,311	15,311
<i>Amount due to (included in trade and other payables)</i>			
Eagle Property Management (CP) Limited	(a) & (e)	37,516	13,074
Eagle Asset Management (CP) Limited	(a) & (e)	129,389	138,332
Selex Engineering Services Limited	(a) & (e)	1,150	1,256
Keyesen Property Management Services Limited	(a) & (e)	89,376	10,797
Keyesen Engineering Company, Limited	(a) & (e)	377	532
Toptech Co. Limited	(a) & (e)	–	1,232
Longworth Management Limited	(a) & (e)	4,441	–
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
Eagle Property Management (CP) Limited	(a) & (f)	1,414	1,941
Keyesen Property Management Services Limited	(a)	1,935	1,935
Best Come Limited	(a)	8,326	8,326
Eagle Asset Management (CP) Limited	(a)	119	117

Other than the above balances and amount due from a joint venture as disclosed in note 17, the Group has no other related company balances.

Notes:

- (a) These companies are the subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
- (b) These companies are the Trustee or associates² of the Trustee.
- (c) This company was the principal valuer of Champion REIT or its associates² during 31 December 2020. 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 31 December 2021.
- (e) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (f) A bank guarantee of HK\$1,247,000 (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 year. The amount has been netted off with reimbursement of Champion REIT's pro rata share of agency fee for the acquisition.

¹ HSBC Group means The Hongkong and Shanghai Banking Corporation Limited 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	15,732	–
<i>Financial assets at amortised costs</i>		
Notes receivables	173,894	2,144,724
Trade and other receivables	68,860	62,844
Amount due from a joint venture	57,047	–
Short-term bank deposits	–	191,485
Bank balances and cash	1,628,725	1,642,094
	1,928,526	4,041,147
Equity instruments at FVTOCI	136,814	77,950
Financial liabilities		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	2,370	1,172
Interest rate swaps	30,214	122,115
	32,584	123,287
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	360,547	990,779
Rental deposits received	624,916	642,524
Distribution payable	642,161	752,780
Bank borrowings	7,639,106	8,788,925
Medium term notes	7,649,560	7,608,548
	16,916,290	18,783,556

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies

The Group's major financial instruments include bank borrowings, medium term notes, notes receivables, trade and other receivables, amount due from a joint venture, bank balances and cash, time deposit with original maturity over three months, equity instruments at FVTOCI, trade and other payables, deposits received, distribution payable and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, other price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Group has certain medium term notes denominated in a foreign currency (i.e. US\$) which expose the Group to foreign currency risk. The Group manages its foreign currency risk by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on part of its medium term notes amounted to US\$476,400,000 (2020: US\$386,400,000). The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 22 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness. As the foreign currency risk of part of its medium term notes is hedged, no sensitivity analysis has been prepared accordingly.

The carrying amount of Group's foreign currency denominated monetary assets and liabilities (except for the medium term notes of US\$476,400,000 (2020: US\$386,400,000) as mentioned above) at the end of reporting period are as follows:

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
US\$	1,293,686	3,277,172	1,604,877	2,289,906
GBP	303,038	–	305,298	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US\$, no material currency risk is expected on US\$ denominated monetary assets and liabilities and no sensitivity analysis has been prepared accordingly. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rate. A positive number below indicates a decrease in loss before tax where Hong Kong dollars weaken 10% against the relevant currency. For a 10% strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the loss before tax for the year, and the balances below would be negative.

	2021 HK\$'000	2020 HK\$'000
GBP	(226)	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of HIBOR arising from the Group's variable-rate bank borrowings and medium term notes (see notes 23 and 24 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, notes receivables, amount due from a joint venture and medium term notes.

The Group manages its interest rate risk for the medium term notes by entering into cross currency swaps to hedge against its exposures to interest rate on certain medium term notes as detailed above.

The Group manages its interest rate risk for variable-rate bank borrowings by entering into interest rate swaps to hedge against its exposures to interest rate on certain variable-rate bank borrowings. The Manager will continue to monitor the interest rate risk to the Group and take further actions by entering interest rate swaps to hedge against any foreseeable interest rate exposure, if necessary.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivatives instruments. For variable-rate term loans and medium term notes, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2020: 50) basis point increase or decrease is used which represents the Manager's assessment of the reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's loss before tax and distribution to unitholders for the year ended 31 December 2021 would increase/decrease by HK\$27,205,000 (2020: HK\$15,678,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate term loans and medium term notes which are not hedged and has an aggregate amount of HK\$5,440,933,000 (2020: HK\$3,135,635,000).

(iii) Other price risk

The Group's listed equity instruments at FVTOCI is measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed equity instruments at FVTOCI measured at fair value had been 10% (2020:10%) higher/lower, investment revaluation reserve would increase/decrease by HK\$13,681,000 (2020: HK\$7,795,000) for the Group as a result of the changes in fair value of listed equity instruments at FVTOCI.

(iv) Credit risk and impairment assessment

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the property manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Manager regularly reviews the recoverable amount of each individual trade debtor and the credit ratings of notes receivables to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(iv) Credit risk and impairment assessment (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Manager has referenced to the credit-ratings assigned by international credit-rating agencies to assess the credit risk on notes receivables.

The credit risk on derivative financial instrument is limited because the counterparties are banks with external high credit rating assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(iv) Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment.

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2021 HK\$'000	2020 HK\$'000
Financial assets						
Note receivables	16	BBB- or above*	N/A	12m ECL	113,216	113,133
		BB-/BB/BB+*	(Note 1)	12m ECL	–	174,261
		Below BB-*	(Note 1)	12m ECL	–	140,754
		Non-rated	(Note 1)	12m ECL	–	1,716,576
		BB-/BB/BB+*	N/A	Lifetime ECL (not credit-impaired)	62,373	–
		Below BB-*	N/A	Lifetime ECL (credit-impaired)	72,925	–
					248,514	2,144,724
Trade receivables	19	N/A	(Note 2)	Lifetime ECL	59,734	60,405
Other receivables	19	N/A	(Note 1)	12m ECL	12,113	3,440
		N/A	(Note 1)	Lifetime ECL (credit-impaired)	1,779	–
					13,892	3,440
Amount due from a joint venture	17	N/A	(Note 1)	12m ECL	57,047	–
Short-term bank deposit and bank balances	20	N/A	(Note 1)	12m ECL	1,628,466	1,833,579
Other item						
Deferred lease receivable	19	N/A	(Note 1)	Lifetime ECL	142,369	165,605

* or its equivalent

Notes:

- For the purposes of internal credit risk management, the Group uses past due information and/or issuers' credit rating (if applicable) to assess whether credit risk has increased significantly since initial recognition.
- For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(iv) Credit risk and impairment assessment (Continued)

The trade receivables presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

Based on the ECL assessment, the credit exposures for all the financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2021, loss allowance provision of HK\$2,987,000 (2020: HK\$1,001,000) for trade debtors was recognised.

For notes receivables and the related interest receivables (included in other receivables), the Group measures the credit risk by referencing to the credit-ratings of the issuers assigned by international credit-rating agencies. For notes receivables with gross carry amount of HK\$113,216,000, the Manager considered that the credit risk is limited because the counterparties are listed entities with high credit-ratings of BBB- (or its equivalent) or above. For the remaining notes receivables with gross carry amount of HK\$135,298,000, the Group measures the loss allowance at lifetime ECL, in view of the significant deterioration in credit-ratings of the issuers or recent evidences for default payments. During the year ended 31 December 2021, the Group has provided HK\$1,695,000 allowance for credit losses (lifetime (not credit-impaired)) and HK\$72,925,000 allowance for credit losses (lifetime (credit-impaired)) on notes receivables respectively.

Based on the ECL assessment, the credit exposures for all other financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts.

The following table shows the movement in lifetime ECL that has been recognised as trade debtors under the simplified approach.

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit impaired) HK\$'000	Total HK\$'000
At 1 January 2020	–	–	–
Increase in allowance recognised in profit or loss	–	1,001	1,001
At 31 December 2020	–	1,001	1,001
Write-off during the year	–	(1,001)	(1,001)
Increase in allowance recognised in profit or loss	–	2,987	2,987
At 31 December 2021	–	2,987	2,987

The Group write-off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(iv) Credit risk and impairment assessment (Continued)

The following tables show reconciliation of loss allowances that has been recognised for notes receivables.

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit impaired) HK\$'000	Total HK\$'000
At 1 January 2020 and 31 December 2020	–	–	–
Increase in allowance recognised in profit or loss	1,689	72,686	74,375
Exchange difference	6	239	245
At 31 December 2021	1,695	72,925	74,620

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit impaired) HK\$'000	Total HK\$'000
At 1 January 2020 and 31 December 2020	–	–	–
Increase in allowance recognised in profit or loss	–	1,774	1,774
Exchange difference	–	5	5
At 31 December 2021	–	1,779	1,779

(v) Liquidity and capital risk management

The Manager monitors and maintains a level of bank balances and cash deemed adequate to finance the Group's operations. In addition, the Manager observes the REIT Code issued by the Securities and Futures Commission of Hong Kong concerning limits on total borrowings and monitors the level of borrowings to be within the permitted limit.

The Group has bank balances and cash and time deposits with original maturity over three months of a total of HK\$1,628,725,000 as at 31 December 2021 (2020: HK\$1,833,579,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK\$11,400,000,000 (2020: HK\$11,850,000,000), of which HK\$7,697,933,000 (2020: HK\$8,842,635,000) was drawn as at 31 December 2021. The undrawn committed revolving credit facilities amounted to HK\$3,702,067,000 as at 31 December 2021 (2020: HK\$3,007,365,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) Liquidity and capital risk management (Continued)

The Group has established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT. 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 Group issued an aggregate principal amount of approximately HK\$2,343,000,000 and US\$686,400,000 as at 31 December 2021 (2020: HK\$2,343,000,000 and US\$686,400,000).

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed revolving credit facility of HK\$3,702,067,000 (2020: HK\$3,007,365,000) and a balance of approximately HK\$7,901,110,000 (2020: HK\$7,841,078,000) under the guaranteed medium term note programme available for issuance, the Manager considered that the liquidity risk of the Group can be reduced.

As at 31 December 2021, the Group's current liabilities exceeded its current assets by HK\$2,970,858,000 (2020: HK\$3,066,262,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 50% (2020: 50%) of the total gross asset value as required by the REIT Code. As at 31 December 2021, the gearing ratio was 22.9% (2020: 23.0%). The ratio is calculated as total borrowings (principal amounts of bank borrowings and medium term notes) divided by total gross assets (defined as total assets less distribution payable) of the Group.

Liquidity and interest risk tables

The following tables detail the Group's expected maturity for its non-derivative financial assets as well as the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables below have been drawn up for non-derivative financial instruments based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a total financial asset and liability basis. For non-derivative financial liabilities, the tables reflect the undiscounted (outflows) of financial liabilities (except Manager's fee payable to be settled by units of Champion REIT) based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) Liquidity and capital risk management (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2021							
<i>Non-interest bearing</i>							
Trade and other receivables	–	68,860	–	–	–	68,860	68,860
Amount due from a joint venture	–	57,047	–	–	–	57,047	57,047
		125,907	–	–	–	125,907	125,907
<i>Variable interest rate</i>							
Bank balances and cash	0.17	1,628,888	–	–	–	1,628,888	1,628,725
<i>Fixed interest rate</i>							
Notes receivables	4.92	17,825	55,799	128,101	–	201,725	173,894
Total		1,772,620	55,799	128,101	–	1,956,520	1,928,526
<i>Non-interest bearing</i>							
Trade and other payables	–	(360,547)	–	–	–	(360,547)	(360,547)
Rental deposits received	–	(204,475)	(216,297)	(204,124)	(20)	(624,916)	(624,916)
Distribution payable	–	(642,161)	–	–	–	(642,161)	(642,161)
		(1,207,183)	(216,297)	(204,124)	(20)	(1,627,624)	(1,627,624)
<i>Variable interest rate instruments</i>							
Bank borrowings	1.09	(1,488,922)	(69,307)	(6,340,210)	–	(7,898,439)	(7,639,106)
Medium term notes	1.53	(645,466)	–	–	–	(645,466)	(643,000)
		(2,134,388)	(69,307)	(6,340,210)	–	(8,543,905)	(8,282,106)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.37	(237,863)	(3,194,703)	(1,737,454)	(2,871,495)	(8,041,515)	(7,006,560)
Total		(3,579,434)	(3,480,307)	(8,281,788)	(2,871,515)	(18,213,044)	(16,916,290)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) Liquidity and capital risk management (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2020							
<i>Non-interest bearing</i>							
Trade and other receivables	–	62,844	–	–	–	62,844	62,844
<i>Variable interest rate</i>							
Bank balances and cash	0.16	1,642,124	–	–	–	1,642,124	1,642,094
<i>Fixed interest rate</i>							
Notes receivables	4.82	1,975,960	26,069	252,831	–	2,254,860	2,144,724
Time deposit with original maturity over three months	1.05	191,650	–	–	–	191,650	191,485
		2,167,610	26,069	252,831	–	2,446,510	2,336,209
Total		3,872,578	26,069	252,831	–	4,151,478	4,041,147
<i>Non-interest bearing</i>							
Trade and other payables	–	(990,779)	–	–	–	(990,779)	(990,779)
Rental deposits received	–	(157,553)	(175,461)	(309,510)	–	(642,524)	(642,524)
Distribution payable	–	(752,780)	–	–	–	(752,780)	(752,780)
		(1,901,112)	(175,461)	(309,510)	–	(2,386,083)	(2,386,083)
<i>Variable interest rate instruments</i>							
Bank borrowings	1.15	(3,551,398)	(63,448)	(5,491,597)	–	(9,106,443)	(8,788,925)
Medium term notes	1.63	(10,481)	(645,620)	–	–	(656,101)	(643,000)
		(3,561,879)	(709,068)	(5,491,597)	–	(9,762,544)	(9,431,925)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.42	(238,363)	(238,363)	(4,834,078)	(2,940,266)	(8,251,070)	(6,965,548)
Total		(5,701,354)	(1,122,892)	(10,635,185)	(2,940,266)	(20,399,697)	(18,783,556)

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(v) Liquidity and capital risk management (Continued)

Liquidity and interest risk tables (Continued)

The following table detail the Group's liquidity analysis for its derivative financial instruments. The tables below have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instrument is prepared based on the expected cash flows as the Manager considers that the expected cash flows are essential for an understanding of the timing of the cash flows of these derivatives, which have been entered into for hedging purposes.

	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total amount HK\$'000	Total carrying amount HK\$'000
As at 31 December 2021						
<i>Derivatives – net settlement</i>						
Cross currency swaps	330	(9,042)	1,390	1,603	(5,719)	13,362
Interest rate swaps	(1,399)	(22,852)	(15,367)	–	(39,618)	(30,214)
As at 31 December 2020						
<i>Derivatives – net settlement</i>						
Cross currency swaps	(700)	(133)	(9,505)	–	(10,338)	(1,172)
Interest rate swaps	(6,919)	(4,857)	2,400	–	(9,376)	(122,115)

(vi) Interest rate benchmark reform

As listed in note 2, several of the Group's HIBOR derivative financial instruments, bank borrowings and medium term notes will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(vi) Interest rate benchmark reform (Continued)

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies (Continued)

(vi) Interest rate benchmark reform (Continued)

(i) Risks arising from the interest rate benchmark reform (Continued)

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

For the Group's derivative financial instruments, bank borrowings and medium term notes that are linked to HIBOR, the transition is subjected to the negotiation between the Group and the relevant counterparties.

The following table shows the total amount of outstanding contract that has been translated to alternative benchmark rates as at 31 December 2021. The amount of financial liability is shown at their carrying amount.

Financial instrument prior to transition	Maturing in	Carrying amount HK\$'000	Hedge accounting	Transition progress for financial instruments
Non-derivative financial liability				
Bank loan linked to LIBOR	2023	305,298	N/A	Transitioned to SONIA during the year

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. 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).

Financial assets/(liabilities) in the consolidated statement of financial position	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2021 HK\$'000	2020 HK\$'000		
Listed equity securities classified as equity instruments at FVTOCI	136,814	77,950	Level 1	Quoted bid price in an active market.
Cross currency swaps classified as derivative financial instruments	15,732/ (2,370)	(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.
Interest rate swaps classified as derivative financial instruments	(30,214)	(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.

There were no transfers between Levels 1 and 2 in both current and last years.

The fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis 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 cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instruments HK\$'000	Interest payable HK\$'000	Bank borrowings HK\$'000	Medium term notes HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2020	(64,426)	82,871	9,441,063	5,526,206	783,505	15,769,219
Cash flows	(24,942)	(423,011)	(672,150)	2,087,766	(1,506,717)	(539,054)
Finance costs (note)	–	415,573	20,012	8,126	–	443,711
Foreign exchange translations	–	–	–	(13,550)	–	(13,550)
Other changes						
Fair value adjustments	212,655	–	–	–	–	212,655
Distribution declared	–	–	–	–	1,476,445	1,476,445
Other non-cash changes	–	–	–	–	(453)	(453)
At 31 December 2020	123,287	75,433	8,788,925	7,608,548	752,780	17,348,973
Cash flows	(58,849)	(354,819)	(1,170,202)	–	(1,463,285)	(3,047,155)
Finance costs (note)	–	355,172	20,383	9,873	–	385,428
Foreign exchange translations	–	–	–	31,139	–	31,139
Other changes						
Fair value adjustments	(47,586)	–	–	–	–	(47,586)
Distribution declared	–	–	–	–	1,352,982	1,352,982
Other non-cash changes	–	–	–	–	(316)	(316)
At 31 December 2021	16,852	75,786	7,639,106	7,649,560	642,161	16,023,465

Note: The amounts reclassified from hedging reserve are excluded in the reconciliation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2021 and 2020.

Name	Issued and fully paid share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	HK\$1,000	Property investment
CP (A1) Limited	HK\$1	Property investment
CP (B1) Limited	HK\$1	Property investment
CP (MC) Limited	HK\$1	Property investment
CP (PH) Limited	HK\$1	Property investment
CP (SH) Limited	HK\$1	Property investment
CP (WC) Limited	HK\$1	Property investment
CP Finance Limited	HK\$1	Financing
CP (Portion A) Limited	HK\$2	Property investment
CP (Portion B) Limited	HK\$2	Property investment
CP Success Limited	HK\$1	Financing
CP Wealth Limited	HK\$1	Financing and Treasury
Elegant Wealth Limited	HK\$1	Property investment
Maple Court Limited	HK\$2	Property investment
Panhy Limited	HK\$2	Property investment
Renaissance City Development Company Limited	HK\$20	Property investment
Shine Hill Development Limited	HK\$1,000,000	Property investment
Trump Treasure Limited	HK\$1	Treasury
Well Charm Development Limited	HK\$2	Property investment
Langham Beauty Limited*	HK\$1	Beauty store operations
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT:		
Champion MTN Limited	US\$1	Medium term notes issuer
Ernest Limited	US\$100	Investment holding
Incorporated in the British Virgin Islands and directly owned and controlled by Champion REIT:		
EAM-Champion REIT Limited	US\$1	Securities investment
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
CP Investments (UK) Limited	US\$1	Investment holding

* This subsidiary was incorporated during the year ended 31 December 2021.

The Manager is of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

Except for Champion MTN Limited which has issued medium term notes as detailed in note 24, no other subsidiaries had issued any debt securities at 31 December 2021 and 2020 at any time during both years.

Major Real Estate Agents and Contractors

TOP FIVE ESTATE AGENTS

The top five real estate agents and their respective commission paid were given below:

Real estate agents	Nature of service	Commission paid (HK\$)	Relevant cost (%)
Eagle Property Management (CP) Limited	Leasing	19,835,000	67.8
Jones Lang LaSalle Limited	Leasing	3,822,000	13.1
CBRE Limited	Leasing	2,659,000	9.1
Colliers International Agency Limited	Leasing	881,000	3.0
Cushman & Wakefield (HK) Limited	Leasing	598,000	2.0
Total		27,795,000	95.0

TOP FIVE CONTRACTORS

The top five contractors and their respective value of service were given below:

Contractors	Nature of service	Value of contract (HK\$)	Relevant cost (%)
Keysen Property Management Services Limited	Building management	363,677,000	69.0
Eagle Property Management (CP) Limited	Property and lease management	75,173,000	14.3
Longworth Management Limited	Building management	53,286,000	10.1
Keysen Engineering Company, Limited	Repairs and maintenance expenses	8,023,000	1.5
Selex Engineering Services Limited	Repairs and maintenance expenses	4,164,000	0.8
Total		504,323,000	95.7

Performance Table

	2021	2020	2019	2018	2017
As at 31 December:					
Net asset value (HK\$'000)	48,962,619	50,857,598	64,834,322	66,760,928	60,351,242
Net asset value per unit (HK\$)	8.25	8.61	11.04	11.42	10.36
The highest traded price during the period (HK\$)	4.88	5.11	6.89	5.86	6.25
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	3.78	3.51	4.88	5.13	4.18
The highest discount of the traded price to net asset value	54.2%	59.2%	55.8%	55.1%	59.7%
For the year ended 31 December:					
The distribution yield per unit ²	5.7%	5.5%	5.2%	4.9%	4.2%
The net (loss) profit yield per unit ³	-3.5%	-46.7%	-1.9%	24.9%	33.4%

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\$0.2279 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2021 over the closing unit price of HK\$3.99 recorded on 31 December 2021.
3. Net (loss)/profit yield per unit is calculated based on (loss)/profit for the year before distribution to unitholders per unit for the year ended 31 December 2021 over the closing unit price of HK\$3.99 recorded on 31 December 2021.

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 Directors

HAU Shun, Christina (*Chief Executive Officer*)
KWONG Chi Kwong

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

HAU Shun, Christina (*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*)
HAU Shun, Christina
WONG Mei Ling, Marina

RESPONSIBLE OFFICERS OF THE REIT MANAGER

HAU Shun, Christina
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
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