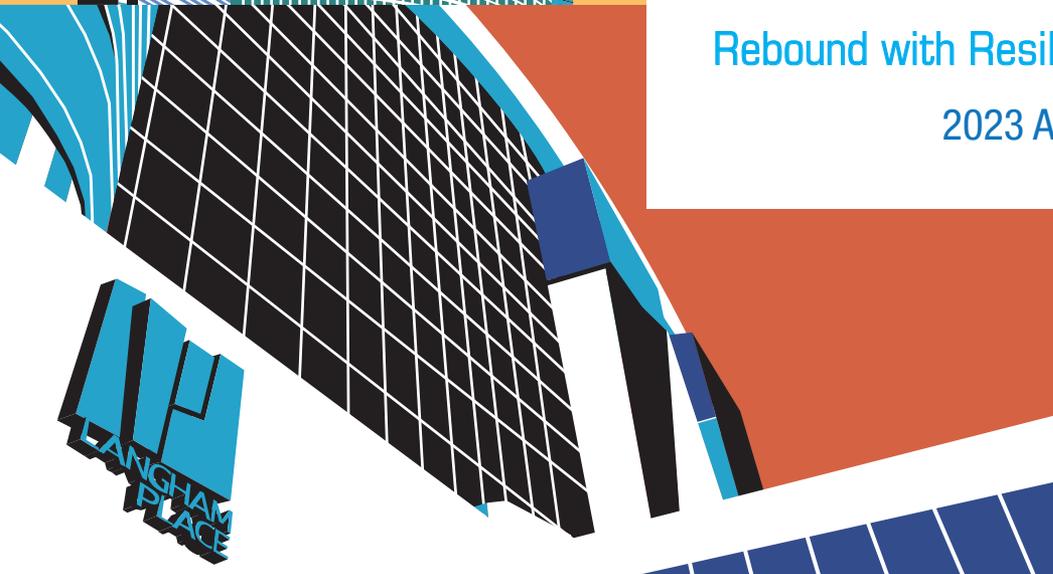




ChampionREIT
冠君產業信託

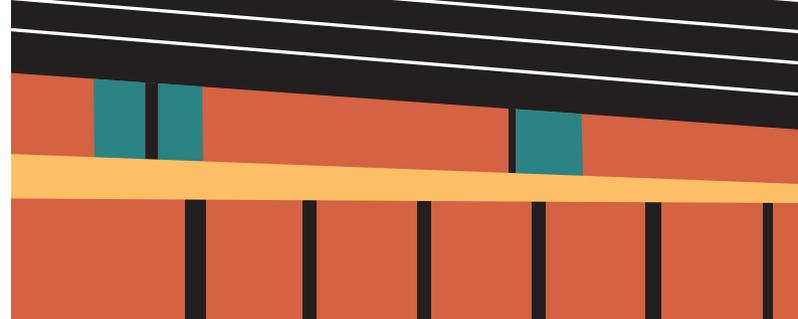
Rebound with Resilience in Challenging Times
2023 ANNUAL REPORT



LANGHAM
PLACE



THREE
GARDEN
ROAD
CENTRAL



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.

LANGHAM PLACE

THREE GARDEN ROAD CENTRAL

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
- 30 Stakeholder Engagement

Portfolio

- 34 Property Portfolio At-a-glance
- 36 Three Garden Road
- 40 Langham Place

Reports

- 48 Valuation Report
- 73 Trustee's Report
- 74 Corporate Governance Report
- 108 Connected Party Transactions Report
- 114 Disclosure of Interests

Financials

- 120 Independent Auditor's Report
- 125 Financial Statements
- 187 Major Real Estate Agents and Contractors
- 188 Performance Table

Corporate Information

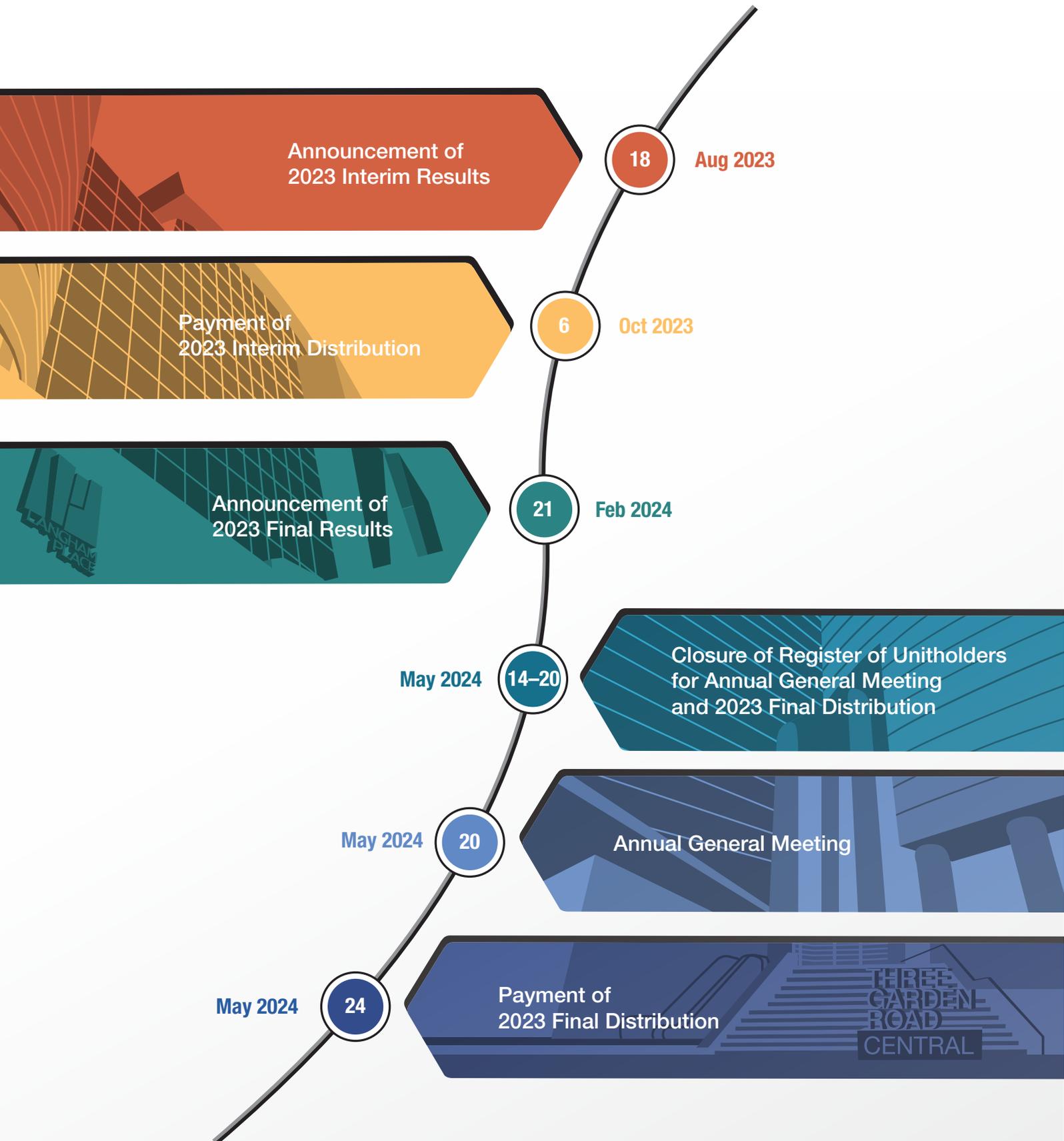


REBOUND WITH RESILIENCE IN CHALLENGING TIMES

The Trust's 2023 annual report employs a refreshing imagery collage concept that pictorially delineates our diverse strategies to stay resilient and thrive amidst the transformative year. With a juxtaposition of the full-scale and close-ups of our premium assets, the composition embodies our commitment to nurturing community through distinctive and quality spaces.

Artfully layered with the Trust's properties sketch, alongside the vibrant and harmonious colours that ignite fresh dynamics, we express our vitality to embrace changes and generate sustainable values together with our stakeholders.

Timeline of Significant Events



Five Year Financial Summary

For the year ended 31 December

2019	2020	2021	2022	2023	Profit (HK\$ Million)
\$2,778	\$2,633	\$2,495	\$2,359	\$2,312	Total Rental Income
(\$298)	(\$286)	(\$298)	(\$328)	(\$366)	Net Property Operating Expenses
\$2,481	\$2,347	\$2,197	\$2,031	\$1,946	Net Property Income
2019	2020	2021	2022	2023	Distributions (HK\$)
\$1,648	\$1,554	\$1,503	\$1,298	\$1,122	Distributable Income (million)
\$1,566	\$1,476	\$1,353	\$1,168	\$1,012	Distribution Amount (million)
\$0.2662	\$0.2496	\$0.2275	\$0.1954	\$0.1683	Distribution per Unit
2019	2020	2021	2022	2023	Valuation (HK\$)
\$81,178	\$67,318	\$65,296	\$63,555	\$62,950	Gross Value of Portfolio (million)
\$11.04	\$8.61	\$8.25	\$7.91	\$7.72	Net Asset Value per Unit
2019	2020	2021	2022	2023	Financial Ratios
10.7%	10.9%	11.9%	13.9%	15.8%	Net Expense Ratio
95.0%	95.0%	90.0%	90.0%	90.2%	Payout Ratio
18.0%	23.0%	22.9%	22.5%	22.8%	Gearing Ratio
2019	2020	2021	2022	2023	Operational Statistics
93.0%	86.8%	89.0%	82.7%	82.8%	Three Garden Road Office Occupancy
\$107.8	\$110.4	\$108.3	\$99.7	\$91.7	...and Passing Rent (HK\$ psf)
97.7%	88.7%	96.3%	93.3%	93.3%	Langham Place Office Occupancy
\$46.5	\$47.7	\$47.1	\$46.0	\$45.9	...and Passing Rent (HK\$ psf)
100.0%	100.0%	100.0%	100.0%	98.6%	Langham Place Mall Occupancy
\$209.5	\$179.3	\$165.9	\$157.1	\$185.3	...and Passing Rent (HK\$ psf)

Chairman's Statement



We will continue our efforts in optimising the rental income of the properties portfolio and managing the risks under the challenging market conditions.

Dr LO Ka Shui
Chairman

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

Langham Place Mall delivered a solid performance, buoyed by the strong rebound in retail sales. However, the growth in rental income of the mall was not sufficient to offset the negative rental reversion of the office portfolio, resulting in a mild decrease in rental income of the Trust by 2.0% to HK\$2,312 million (2022: HK\$2,359 million). Net property

expenses of the Trust increased by 11.5% to HK\$366 million (2022: HK\$328 million) mainly due to increase in net building management expenses, other operating expenses and rental commission due to higher turnover of leases. Net property income of the Trust decreased by 4.2% to HK\$1,946 million (2022: HK\$2,031 million). Share of results of a joint venture amounted to a loss of HK\$69 million (2022: loss of HK\$43 million) primarily due to revaluation loss of the 27% minority-owned property 66 Shoe Lane in London.

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

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

Outlook

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

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

The robust rebound in retail sales of Langham Place Mall has brought the rent to sales ratio to a lower level similar to pre-COVID levels. Short-term leases entered during the pandemic allowed us to capture the revival to achieve rental

increase for most renewals and new leases. Though the pace of retail sales growth may turn more modest than last year, the overall rental income growth trajectory is expected to continue this year. We will continue to fine tune the tenant mix to enhance the shopping experiences and generate higher rental returns. In addition to a range of marketing activities, the 20th anniversary celebrations of the mall would be a key campaign to drive sales and strengthen its positioning as a trendy icon in the retail sector in the year ahead.

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

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

LO Ka Shui
Chairman

CEO's Review

By fostering collaborative efforts,
we champion greater resilience
for our corporate ecosystem.

Ms HAU Shun, Christina
Chief Executive Officer



Three Garden Road

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

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

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

We continued to enhance the quality of the property to maintain the competitive advantage. In addition to the completion of a comprehensive lift modernisation project to improve the efficiency of elevators, new electric vehicle

chargers were installed to further enhance amenities and accommodate an increasing number of electric vehicles in Hong Kong. A full-scale renovation project for washrooms was initiated in 2023 to incorporate up-to-date facilities and technologies. We also curated various activities such as the monthly "Musica del Cuore" concert series to enhance tenant engagement and experience.

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

Langham Place Office Tower

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

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

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

Langham Place Mall

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

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

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

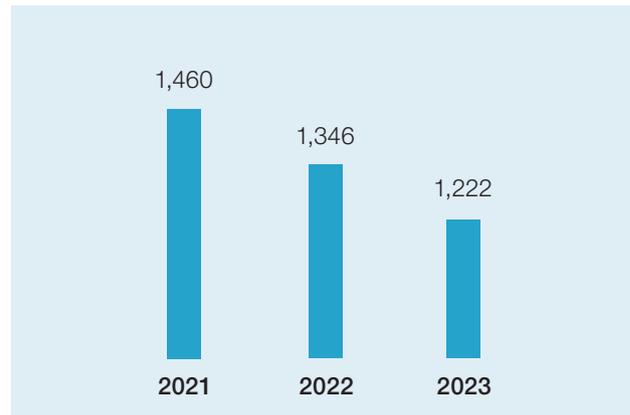
In addition to sales-driven promotions throughout the year, we fortified our role as a "super connector" and stepped up our collaboration with various stakeholders to organise events involving tenants, non-profit organisations and the community. For example, we joined hands with the Hong Kong Cancer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

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

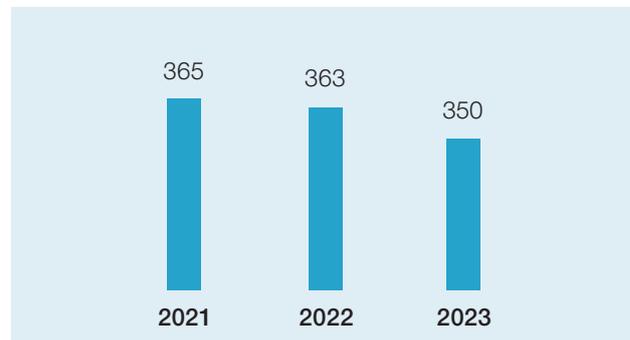
Rental Income

(HK\$ million)

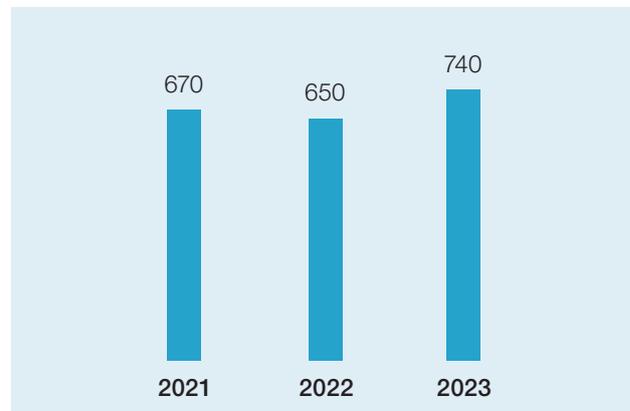
Three Garden Road



Langham Place Office Tower



Langham Place Mall



CEO's Review

Sustainability

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

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

Capacity building in partnership is crucial to designing and developing a shared climate resilience solution to manage and mitigate related risks and opportunities. During the year, we launched the first ESG Forum to gather like-minded representatives in the industry to push for a low carbon transition. We also encouraged our tenants to join the "Green

Champion Challenge" in energy and waste reduction. This served as an important milestone in our carbon data inventory and disclosure.

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

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

HAU Shun, Christina
Chief Executive Officer

	2023 HK\$'000	2022 HK\$'000	Change
Three Garden Road			
Rental Income	1,222,222	1,346,002	-9.2%
Net Property Operating Expenses	139,920	135,042	+3.6%
Net Property Income	1,082,302	1,210,960	-10.6%
Langham Place Office Tower			
Rental Income	349,760	363,291	-3.7%
Net Property Operating Expenses	45,834	37,449	+22.4%
Net Property Income	303,926	325,842	-6.7%
Langham Place Mall			
Rental Income	740,007	649,646	+13.9%
Net Property Operating Expenses	180,514	155,854	+15.8%
Net Property Income	559,493	493,792	+13.3%

Awards and Achievements



Champion REIT

Sustainability and Corporate Governance

HKMA Sustainability Awards 2023

- Grand Award
- Distinction Award
- Excellence in Economic Sustainability Initiative
- Excellence in Environmental Sustainability Initiative

Bloomberg Businessweek/Chinese Edition

- ESG Leading Enterprises Award 2023
- Leading Environmental Initiative

Global Real Estate Sustainability Benchmark (GRESB)

- Five Star Recognition
- Grade A rating on Public Disclosure

Hong Kong ESG Reporting Awards (HERA) 2023

- Best ESG Report (Mid-cap): Commendation
- Excellence in ESG Governance: Commendation

Royal Institution of Chartered Surveyors (RICS) Hong Kong Chapter – RICS Hong Kong Awards 2023

Corporate Social Responsibility Project of the Year:
Highly Commended

Green Council – UNSDG Achievement Awards Hong Kong 2023

Individual SDG Award – Goal 17:
Partnerships For The Goals

Hong Kong Green Building Council –

Hong Kong Green Shop Alliance Award 2023

Collaborative Project of the Year (Circular Economy)

Fair Trade Hong Kong – Fair Trade Award 2022/23

Platinum Award

Corporate

Hong Kong Investor Relations Association – Investor Relations Awards 2023

- 5-year IR Awards Winning Company
- Best IR Company
- Best Investor Meeting
- Best IR by IR Team
- Best IR by IRO

Annual Report

MerComm. Inc. – International ARC Awards 2023

Design/Graphic: Bronze

Hong Kong Management Association – Best Annual Report Awards 2023

Excellence Award for Small Size Entries

Three Garden Road

Building Certification

U.S. Green Building Council

LEED v4.1 O+M EB: Platinum

Hong Kong Green Building Council

BEAM Plus EB v2.0 Comprehensive Scheme: Platinum

International WELL Building Certificate

WELL Building Standard Certification: Platinum

Environment

Environment and Ecology Bureau

- Energy Saving Championship Scheme: Wise Save @ RCx: Bronze Award
- Certificate of Carbon Emission Reduction

The Hongkong Electric Co. Ltd.

Renewable Energy Certificate

Water Supplies Department

- Quality Water Supply Scheme
- Fresh Water (Management System): Gold
- Flushing Water: Blue

Langham Place

Building Certification

International Finance Corporation

EDGE Level 1: Certified

Hong Kong Green Building Council

BEAM Plus EB v2.0 Comprehensive Scheme: Platinum

Environment

Hong Kong Green Building Council

Green Mall of the Year

CLP Power Hong Kong Limited

Renewable Energy Certificate

Environment and Ecology Bureau

Certificate of Carbon Emission Reduction

Environment Protection Department

- Indoor Air Quality Certificate: Excellent Class
- Certificate of Registration for Waste Cooking Oils Collector
- Commendation Scheme on Source Separation of Commercial and Industrial Waste: Certificate of Merit
- Food Wise Charter

Environmental Campaign Committee

- IAQwi\$e Certificate: Excellent Level
- Energywi\$e Certificate: Excellent Level
- Wastewi\$e Certificate: Excellent Level
- Carbon Reduction Certificate
- Hong Kong Green Organisation

Electrical & Mechanical Services Department

- Outstanding Building Energy Efficiency Performance
- Energy Saving Charter and 4T Charter

Water Supplies Department

- Quality Water Supply Scheme
- Fresh Water (Management System): Gold
- Flushing Water: Gold

Environmental Campaign Committee

- Hong Kong Awards for Environmental Excellence 2022 – Certificate of Merit (Property Management: Commercial & Industrial)
- Wastewi\$e Certificate: Excellent Level
- IAQwi\$e Certificate: Excellent Level
- Energywi\$e Certificate: Excellent Level
- Carbon Reduction Certificate
- Hong Kong Green Organisation

Electrical & Mechanical Services Department

Energy Saving Charter and 4T Charter

Environment Protection Department

- Indoor Air Quality Certificate: Excellent Class
- Indoor Air Quality Certificate: 15-year commitment
- Food Wise Charter

Safety

Regional Crime Prevention of Hong Kong Island

Outstanding Security Services: Industrial/Commercial Property Award

Community

The Hong Kong Council of Social Service

Caring Company

Management and Service

Vocational Training Council and Hong Kong Police Force

2022 Security Services Best Training Award: Award of Gold (Licensed Security Company – Type 1)

Electrical & Mechanical Services Department

Quality Lift Service Recognition Scheme: Gold Award

Community

The Hong Kong Council of Social Service

Caring Company

Employees Retraining Board

ERB Manpower Developer Award Scheme: Super MD

Marketing

Marketing Magazine

- Mob-Ex Awards Singapore 2023
- Best Mobile Growth Strategy: Gold
- Best Use of Mobile: Customer Engagement: Silver
- Best User Experience: Silver
- Best Direct to Consumer Campaign: Bronze
- Best Use of Personalisation: Bronze

The Loyalty & Engagement Awards 2023

- Best Loyalty Campaign: Launch Rebranding: Gold
- Best Use of Mobile: Silver
- Best CRM Strategy: Bronze
- Best CX/UX Strategy: Bronze
- Best Loyalty Programme: Retail: Bronze

DigiZ Awards 2023

- Best UI/UX Design: Gold
- Best Digital Performance Campaign: Bronze

Hong Kong Economic Times

Shopping Mall Awards: Top 20 Shopping Mall Event

Metro Finance

Digital Ex: 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, one Executive Director and four Independent Non-executive Directors.

Dr LO Ka Shui

Chairman and Non-executive Director



aged 77, 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 of Hong Kong SAR.

Dr Lo graduated from McGill University with a Bachelor of Science Degree and obtained a Doctor of Medicine (M.D.) Degree from Cornell University, and was certified in Internal Medicine and Cardiovascular Disease at University of Michigan Hospitals. 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 49, was appointed as Chief Executive Officer, Chief Investment Officer and Executive Director of the REIT Manager in 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. She is also a Director of all special purpose vehicles of Champion REIT.

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 of Champion REIT. As Chief Investment Officer, she is responsible for identifying and evaluating potential acquisitions or investments opportunities. She is also responsible for the capital structure of Champion REIT, including the planning and overseeing of capital raising activities from the market.

Ms Hau is a Responsible Officer as defined under the Securities and Futures Ordinance.

Ms Hau is a Registered Architect in Hong Kong with over 20 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 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 Hong Kong Chapter Board Member of Asia Pacific Real Assets Association (APREA).

Board of Directors

Ms WONG Mei Ling, Marina

Non-executive Director



aged 57, was appointed as Non-executive Director of the REIT Manager in 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, and is 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 both Great Eagle Holdings Limited, and the manager of 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 of solid working experience, her expertise lies in the development of governance and compliance policies and corporate secretarial and administration.

Ms Wong is a Fellow member of both The Chartered Governance Institute UK & Ireland and The Hong Kong Chartered Governance Institute. She holds a Master Degree in Laws, a Master Degree in Business Administration and a Bachelor Degree in Accountancy.

Professor CHAN Ka Keung, Ceajer

Independent Non-executive Director



aged 67, was appointed as Independent Non-executive Director of the REIT Manager in April 2023. He is also a member of Audit Committee of the REIT Manager. Professor Chan holds an Honorary Doctoral Degree from The Hong Kong University of Science and Technology (HKUST). Professor Chan is an Adjunct Professor and a Senior Advisor to the Dean at HKUST Business School. He was appointed as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was the Dean of Business and Management in HKUST. Before joining the HKUST Business School in 1993, Professor Chan had spent nine years teaching at Ohio State University in the United States. Professor Chan is currently a member of Competition Commission of Hong Kong and a Director of the One Country and Two Systems Research Institute. Professor Chan is an Independent Non-executive Director of China Overseas Land & Investment Limited, Guotai Junan International Holdings Limited,

Langham Hospitality Investments and Langham Hospitality Investments Limited, and NWS Holdings Limited, all of which are listed on the Main Board of Stock Exchange. He is an Independent Non-executive Director of Greater Bay Area Homeland Investments Limited. He is also the Chairman of WeLab Bank Limited and a Senior Advisor to WeLab Holdings Limited. During the past three years, Professor Chan was an Independent Non-executive Director of Hong Kong Aerospace Technology Group Limited (listed in Hong Kong).

Professor Chan received his bachelor's degree in economics from Wesleyan University in the United States and both of his M.B.A. and Ph.D. in finance from The University of Chicago. He specialised in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Mr CHENG Wai Chee, Christopher

Independent Non-executive Director



aged 75, 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 serves as the Chairman of Wing Tai Properties Limited (listed in Hong Kong). Mr Cheng plays an active role in public service. He was a Member of the Board of Overseers at Columbia Business School; a Member of the President's Council on International Activities of Yale University; Chairman of the Hong Kong General Chamber of Commerce; and Independent Non-executive Director of NWS Holdings

Limited (listed in Hong Kong) and The Hongkong and Shanghai Banking Corporation Limited.

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.

Board of Directors

Mr IP Yuk Keung, Albert

Independent Non-executive Director



aged 71, has been Director of the REIT Manager since 2011. He is currently an Independent Non-executive Director, a Member of Audit Committee and an Advisor of the Finance and Strategic Planning 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 Power Assets Holdings Limited; New World Development Company Limited; and Hutchison Telecommunications Hong Kong Holdings Limited (all listed in Hong Kong). Mr Ip is also an Independent Non-executive Director of Lifestyle International Holdings Limited (delisted on 20 December 2022). During the past three years, Mr Ip was Independent Non-executive Director of TOM Group Limited (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; an Honorary Fellow, Chairman of the HKUST Foundation, a Senior Advisor to the President, a Special Advisor to the Dean of School of Business and Management; 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 and Advisory Board Member for the Faculty of Business Administration at the University of Macau; an Honorary Fellow of Vocational Training Council; and a member of The Science and Technology Council of the Macau SAR.

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 78, was appointed as Independent Non-executive Director of the REIT Manager in 2006. He is Chairman of both Audit Committee and Nomination Committee, and a Member of Disclosures Committee of the REIT Manager. Mr Shek is an Honorary Member of the Court of The Hong Kong University of Science and Technology, a Court Member of City University of Hong Kong and a Member of both of the Court and the Council of The University of Hong Kong. Mr Shek was a Member of the Legislative Council for the Hong Kong SAR 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; Independent Non-executive Director of Alliance International Education Leasing Holdings Limited; China Resources Building Materials Technology Holdings Limited (formerly known as China Resources Cement Holdings Limited); Chuang's Consortium International Limited; Cosmopolitan International Holdings Limited; Country Garden Holdings

Company Limited; CSI Properties Limited; Everbright Grand China Assets Limited; Far East Consortium International Limited; Hao Tian International Construction Investment Group Limited; Lai Fung Holdings Limited; NWS Holdings Limited; Paliburg Holdings Limited and Shin Hwa World Limited (all 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 and Lifestyle International Holdings Limited (delisted on 20 December 2022), and Chairman and Independent Non-executive Director of Goldin Financial Holdings Limited (delisted on 31 October 2023). During the past three years, Mr Shek was Independent Non-executive Director of SJM Holdings Limited (listed in Hong Kong).

Mr Shek graduated from The University of Sydney with a Bachelor of Arts Degree and City University of Hong Kong with a Juris Doctor 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 49, 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, she 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.



Ms LUK Ka Ping, Amy

Investment and Investor Relations Director

aged 52, 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 40, 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 50, 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, she 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.



Mr YUEN Chi Hang, Tony

Senior Internal Audit Manager

aged 50, 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, Mr Yuen 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, Mr Yuen 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 KWOK Mau Yan, Camby

Senior Program Manager

aged 41, Manager-In-Charge of information technology function as defined under the Securities and Futures Ordinance, is responsible for providing leadership for the ongoing design, development and maintenance of systems throughout Champion REIT. Mr Kwok has over 15 years of experience in the IT & Project Management industries, possessing all-rounded knowledge and skillsets. Prior to joining the REIT Manager, he worked at Hong Kong's leading real estate listed companies on group's IT & digital projects.

Mr Kwok graduated from The University of Hong Kong with degree in Bachelor of Engineering. He is certified with Project Management Professional (PMP) ® and Microsoft Azure fundamentals.



Ms LAM Katrina Lai Kuen

Compliance Manager

aged 38, Manager-In-Charge of compliance, anti-money laundering and counter-terrorist financing functions as defined under the Securities and Futures Ordinance, is responsible for establishing and maintaining 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 at both the trust administrative and operation levels for Champion REIT. Ms Lam possesses over a decade of extensive experience in 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 from The Manchester Metropolitan University, United Kingdom. Ms Lam is also a Chartered Secretary and Chartered Governance Professional, designated as Fellow of both The Chartered Governance Institute UK & Ireland and The Hong Kong Chartered Governance Institute. Ms Lam has also obtained certification as a Certified ESG Analyst® from The European Federation of Financial Analysts Societies.



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

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

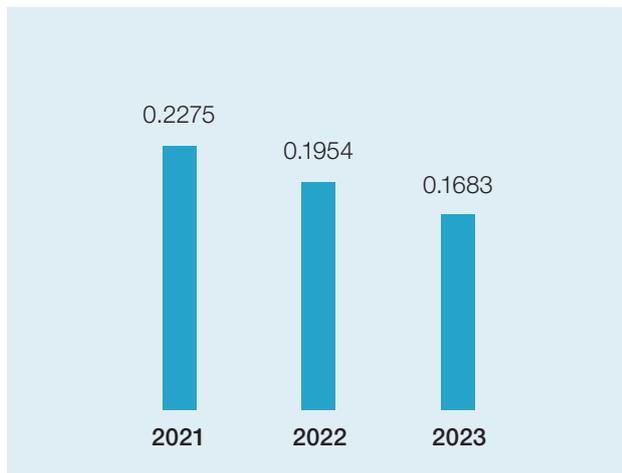
With an Interim Distribution per Unit of HK\$0.0927 and a Final Distribution per Unit of HK\$0.0756, the Total Distribution per Unit for 2023 amounted to HK\$0.1683 (2022: HK\$0.1954). Based on the closing unit price of HK\$2.45 recorded on 29 December 2023, the Total Distribution per Unit represented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

Closure of Register of Unitholders

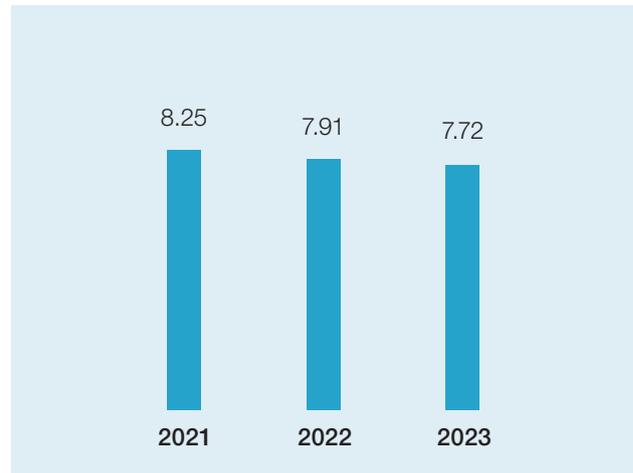
The Register of Unitholders will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024 ("Record Date"), both days inclusive, during which period no transfer of Units will be effected. The payment of the distribution for the six months ended 31 December 2023 will be made on Friday, 24 May 2024 to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the distribution for the six months ended 31 December 2023 and be eligible to attend and vote at the 2024 Annual General Meeting to be held on Monday, 20 May 2024, all properly completed transfer forms accompanied by the relevant Unit certificates must be lodged with Champion REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30pm on Monday, 13 May 2024.

Distribution per Unit (HK\$)



Net Asset Value per Unit (HK\$)



Financial Review

Proactive Liability Management

Outstanding Debt Facilities⁽¹⁾

As at 31 December 2023

(HK\$ million)

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

(1) All amounts are stated at face value

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

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

(4) (i) The Trust entered into cross currency swaps contracts of notional amount of US\$300 million at an average rate of HK\$7.8176 to US\$1.00 to mitigate exposure to fluctuations in exchange rate and interest rate of US dollars;
(ii) Equivalence of HK\$2,345 million (after accounting for cross currency swaps) were US dollars notes

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

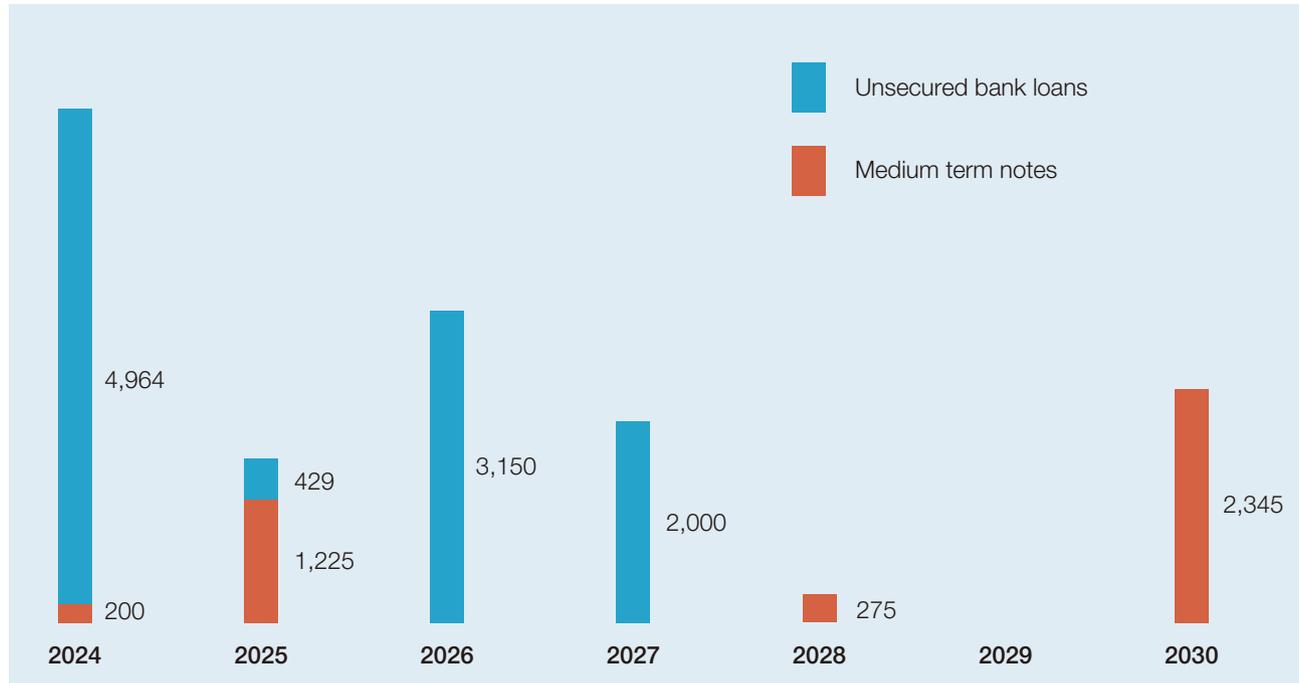
The redemption of fixed-rate notes in January 2023 led to a decrease in the fixed-rate debt proportion. Despite this, the resultant ratio remained balanced at 54.5%, providing

effective hedging against fluctuations in the interest rate environment during 2023. However, as interest rate swaps with notional amount of HK\$2,900 million are due to mature in June 2024, the hedge ratio is anticipated to decrease. The Manager is actively monitoring the interest rate swaps market and has plans in place to secure new swaps, with the objective to effectively mitigate interest rate risks and maintain a stable financial cost structure.

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

Outstanding debt maturity profile⁽¹⁾

As at 31 December 2023
(HK\$ million)



(1) All amounts are stated at face value

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

Liquidity Position

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

The Manager has demonstrated a commitment to ensuring financial stability by actively seeking financing opportunities. The Manager is currently in discussions with banks with well-established relationships to refinance the forthcoming

bank loan due in June 2024. Other than loan financing, the Manager can also leverage the medium-term note programme which provides an alternative avenue for raising funds for the Trust. The diverse financing sources enables the Trust to maintain sufficient liquid assets to support its working capital and operating requirements.

Net Assets Value Per Unit

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

Commitments

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

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

Sustainable Development

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 2023 to 31 December 2023 is disclosed separately in our Sustainability Report 2023. The preparation of the report follows several locally and internationally recognised standards, including the Stock Exchange of Hong Kong Limited (“HKEX”) ESG Reporting Guide under Appendix C2 of the Main Board Listing Rules and Global Reporting Initiative (“GRI”) Standards 2021. The report is also available on our corporate website. (www.championreit.com/sustainability/esg-reports)



Sustainability Governance

Board Governance

Under the Trust’s robust governance structure, the Board oversees all sustainability matters to ensure the Trust’s smooth progress towards its long-term commitment and values creation, as well as directing the formulation and integration of relevant policies which are implemented by every staff level, from management, functions, business units to individual employees.

The Board reviews 2030 ESG Targets setting, ESG-related risk identification and management, climate resilience and other key sustainability projects, advises on ESG task prioritisation, takes part in progress review and strategic recommendation. Trainings were arranged for the Board members to keep them updated and to foster their continuous professional development in tackling ESG-related risks.

Sustainability Working Group

With its primary responsibility to draw up the Trust’s sustainability agenda, the Sustainability Working Group (the “Working Group”), chaired by the CEO with dedicated members from senior management of core function teams, including leasing, investor relations, asset management, risk management, property management, marketing and corporate communications, gather in a quarterly basis to report and evaluate the sustainability performance of their respective units.

Referencing the key performance indicators under the 2030 ESG Targets roadmap, and 2045 Net Zero Commitment, the Working Group is delegated the responsibility to undergo detailed consideration and implement various initiatives in adherence to the expectations collected from stakeholder engagement, materiality assessments and goals stated in United Nations’ SDGs.

While the Working Group acts as a connector role to support the Board in soliciting insights after communicating internally and externally with stakeholders on critical sustainability topics, the Board reviews and approves the Sustainability Report along with the progress on other initiatives per annum.



To get our internal stakeholders involved on our sustainability journey, we leverage appropriate channels to disseminate useful information related to our strategies and work.

Corporate-wide training or industry-focused sharing sessions on regulatory changes, ESG trends and best practices are also provided to enhance resilience at staff level, and free flow of ideas is encouraged for knowledge exchange and further growth.

Progress of 2030 ESG Targets

To formulate our sustainability vision, we set up a 2030 ESG roadmap in 2019 with 14 long-term ESG Targets set in accordance with nine of the United Nations' SDGs. Appropriate and relevant key performance indicators are identified with reference to our business nature and operations, allowing us to evaluate our progress systematically and quantifiably. Stakeholders can review the updates in our annually published sustainability report.

Aspect (respective SDGs)	Focus Area	2030 Target	2023 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 0.3% energy consumption in 2023 A slight increase of 0.7% in carbon emissions due to the increase in traffic with the return of business and society normalcy from COVID-19 Installed over 40 EV charging stations in both properties to reduce carbon footprint Launched Green Champion Challenge to encourage tenants' involvement in energy saving
	Water	<ul style="list-style-type: none"> 25% reduction on water consumption intensity by 2030⁽²⁾ 	<ul style="list-style-type: none"> Reduced 7.5% water usage in 2023
	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 a total of 22,690 kg food waste from both properties in 2023 for waste-to-energy conversion, equivalent to the reduction of over 10,000 kg greenhouse gas emission Launched Green Champion Challenge to encourage tenants' involvement in waste reduction
	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 Started collecting Scope 3 emissions data
	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"> Achieved BEAM Plus Existing Buildings Platinum rating (Langham Place Office Tower) To research on Green Lease Partnership Programme

Sustainable Development

Progress of 2030 ESG Targets

Aspect (respective SDGs)	Focus Area	2030 Target	2023 Progress Update
Social    	Well-being 	<ul style="list-style-type: none"> Maintain IAQ Certification of Excellent 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"> Attained IAQ Certification of Excellent Class for Three Garden Road and Langham Place for more than 10 consecutive years Conducted employee well-being survey with improvement plan Conducted wellness initiatives for employees, tenants and community
	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"> An increase of over 100% in average training hours of our employees compared with 2022 Organised sharing session for staff on waste management best practices
	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 2023
	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"> Maintained close stakeholder communication 50.7% increase in resources devoted to stakeholder engagement from base year Organised the first ESG Forum and Green Champion Challenge to gather insights for a green transition and encourage tenants' involvement to combat climate change respectively

Aspect (respective SDGs)	Focus Area	2030 Target	2023 Progress Update
	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 over 100% from base year • Over 10,000 people benefited from our community events • Collaborated with new partners to amplify the social impacts, including teaming up with World Green Organisation through planting around 70 native tree saplings (equivalent to offsetting approximately 1.4 tonnes non-tradable carbon dioxide or 203,000 copy paper) • Actively participated in the Government's "Strive and Rise Programme" to support youth development
	Diversity and inclusion	<ul style="list-style-type: none"> • Promote gender equality through awareness training and sharing 	<ul style="list-style-type: none"> • Integrated social inclusion elements into various initiatives, such as providing employment opportunities for middle-aged women with shoulder massage services to tenants • Distributed over 3,000 wellness drinks to female employees and tenants to celebrate Women's Day • Celebrated Mother's Day and Father's Day to recognise the hard work of 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 overseeing the whole 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"> • Aligned with our parent group's 2045 Net Zero Commitment through Climate Leadership Strategy • Established Environmental Guidelines for tenants
	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"> • Currently exploring 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

Stakeholder Engagement



Partnering with Purpose

Champion REIT acts as a “super-connector”, joining hands with tenants, business partners and suppliers to co-create positive impact. Amid the challenging macro-economic and operating environment, we strive to strengthen resilience through consistent and meaningful partnership. We integrate diverse perspectives to mitigate uncertainties and generate innovative solutions.

Champion REIT ESG Forum and Green Champion Challenge

Capacity building and stakeholder collaboration are pivotal to developing a shared climate resilience solution to manage and mitigate relevant risks and opportunities. Thus, Champion REIT hosted the inaugural ESG Forum under the theme “Championing Shared Values and Greater Resilience”. The forum received tremendous support from a diverse group of over 150 participants from various sectors.

We also launched our first “Green Champion Challenge”, which is an incentive-based initiative designed to prepare both the Trust and tenants for gradually tightened policy and regulations. We encouraged office tenants’ involvement in energy and waste reduction, as we strive to support the global transition to a net-zero future.





Love · Play · Farm at Langham Place

Our green community project, Love · Play · Farm, a sustainable initiative that combines organic farming and engagement space at Langham Place Mall has maximised environment and social impacts through partnership.

The project has won collaborative awards from three distinguished organisations, including RICS Hong Kong, Green Council and Hong Kong Green Building Council. These accolades recognised our achievements in tenant engagement and our ability to demonstrate the waste-to-farm to-table concept.



Stakeholder Engagement



“Sharelebration” at Three Garden Road

United efforts foster a mutually beneficial environment for both the community and our brand building. We therefore collaborated with Fullness Social Enterprises Society, a local non-governmental organisation, to organise a two-day outdoor Christmas pop-up market at Three Garden Road. The market featured more than 20 social enterprises that promote conscious consumption. Furthermore, over 200 underprivileged children and their families were invited to join the interactive workshops and enjoy the performances.

Moreover, our tenants were amazed by the festive installation at Three Garden Road where a 10-meter tall glistening Christmas Tree was showcased for the first time. We also invited the talented young performers from the Great Eagle Music Children Ensemble of Music Children Foundation to perform Christmas Carols at the lighting ceremony.





Creating positive impacts through music

Since 2015, Champion REIT has organised “Musica del Cuore”, a concert series with the objective to create opportunities for promising young musical performers and to offer a delightful gateway for our community to enjoy and relax. With more than 200 concerts held thus far, the programme is the only classical concert series held regularly at a commercial building in the heart of the city.

We produced 13 remarkable concerts in 2023. Among the highlights were the unique cultural and music crossover featuring the internationally-acclaimed Del Sol String Quartet and Toolbox Percussion. The curation transcended cultural boundaries with a blend of Chinese and Western musical aesthetics. Through music and arts, and a commitment to promoting social inclusion, we aim to foster a sense of togetherness in the community.



Property Portfolio At-a-glance



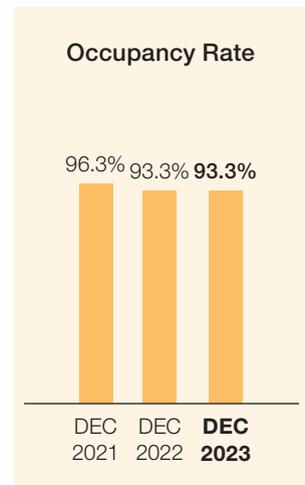
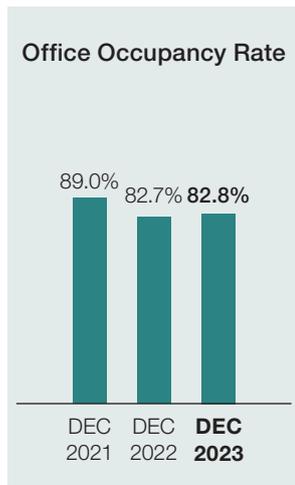
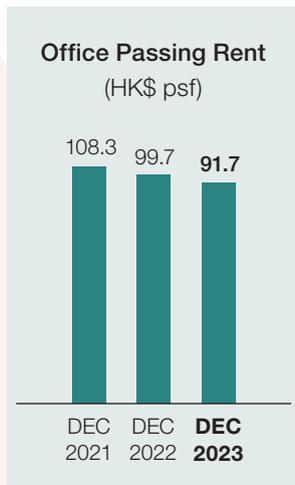
Three Garden Road

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. It is a "triple platinum" rated building with LEED, BEAM Plus and WELL building standards.



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.

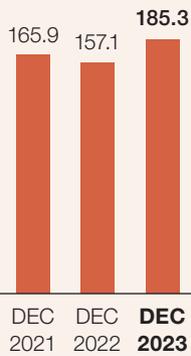




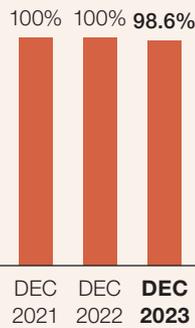
Langham Place Mall

Langham Place Mall is a 15-level, 590,000 gross sq. ft. vertical mall focusing on 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 2023

- 31% Fashion & Accessories
- 23% Food & Beverage
- 15% Entertainment
- 14% Health & Beauty
- 15% Others
- 2% Vacant



Major Tenants of Champion REIT

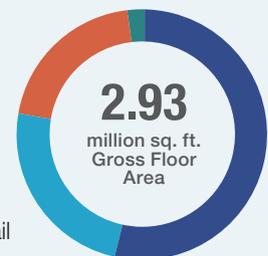
(in alphabetical order)

- Bloomberg
- Citi
- CMB International
- EC Healthcare
- Industrial and Commercial Bank of China (Asia) & ICBC International
- Neo Derm
- Perfect Medical
- PURE Fitness & PURE Yoga

Value as at 31 December 2023

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

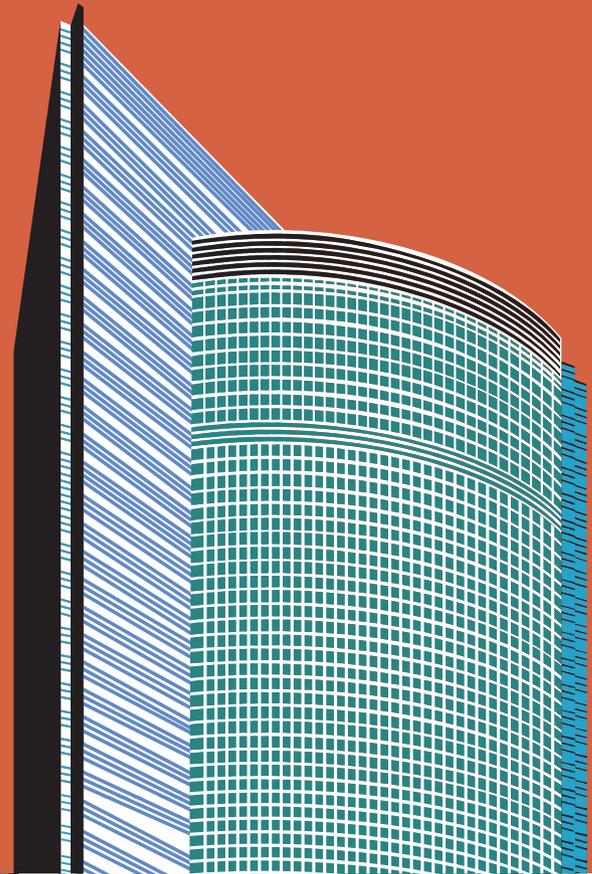
- 54% Three Garden Road Office 1,579,900 sq. ft.
- 24% Langham Place Office 702,900 sq. ft.
- 20% Langham Place Mall 589,800 sq. ft.
- 2% Three Garden Road Retail 57,700 sq. ft.



Three Garden Road

A Thriving Hub with a Green and Wellness Vision

With a gross floor area of over 1.6 million sq. ft., Three Garden Road is one of the largest office complexes in Hong Kong. It offers the flexibility of joining 26 floors of two towers, providing the most extensive available floor plate in the Central district. It is one of the only few “Triple Platinum” rated buildings with LEED, WELL and BEAM Plus standards in the city. We are dedicated to cultivating tenant experiences with heart, fostering a workplace that prioritises nature and positive social impacts.



Prime Asset and Architectural Excellence

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.

Three Garden Road is one of the biggest office complexes in Hong Kong, capable of serving a working population of over 10,000. 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 Technology Integration

Three Garden Road is an archetypal modern premium Grade A office complex. It is replete with a fibre-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 Fire Service System.

From the environmental perspective, Three Garden Road has continually upgraded the Chiller Plant System to optimise energy efficiency together with the 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 installing a smart weather station to perform retro-commissioning through collecting instant climate-related data for enhancing operation efficiency. We also installed new electric charging stations and carried out lift modernisation with upgraded smart touchless controls to optimise energy efficiency, safety, hygiene and user experience.



Three Garden Road

LEED v4.1 Platinum (Hong Kong's highest score)

Three Garden Road attained LEED v4.1 Operations and Maintenance Platinum rating in February 2024, with the city's highest score of this version. As the internationally recognised green building certification scheme, receiving the honour proves the building's significant achievements in launching ongoing green initiatives.

WELL Building Standard Platinum (Top honour)

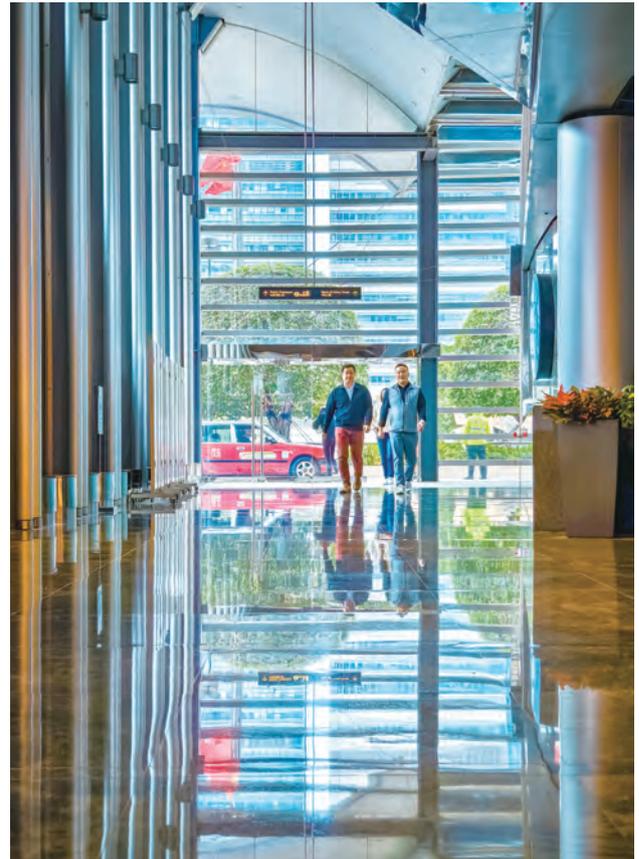
Three Garden Road achieved the Platinum rating of the WELL Building Standard, the first-in-Hong Kong existing building to attain the highest level of certification. Serving as a global standard created to advance the wellness of buildings, this recognition affirms its commitment to pursuing a favourable and healthy environment for tenants and stakeholders.

BEAM Plus Building Platinum (Hong Kong's highest score)

Three Garden Road achieved the Platinum rating under BEAM Plus for Existing Buildings v2.0 scheme with the highest score among existing buildings in Hong Kong. Scoring full marks in five out of seven categories, including "Innovations" and "Energy use", this honour serves as another testament for Three Garden Road's all-round competence in sustainable practices.

Elevating Tenant Experiences with Care and Dedication

Three Garden Road is home to a health club featuring a gymnasium and a heated swimming pool, among other exercise facilities. Another amenity for tenants is the retail area in the podium's lower lobby hosting various food and beverage outlets. Additionally, upscale flexible workspaces offer happy hour drinks and event space for tenants. The outdoor staircase leading up to the building is adorned with the stunning artwork named "Garden in the City," which has become a renowned symbol of the property, captivating the hearts of tenants and visitors alike. Our flagship monthly classic concert series "Musica del Cuore" connects our community through boundary-free music since 2015.



Building Statistics

Assessed Value
HK\$38.1 billion

Height
205 m

Highest Floor
50

No. of Vehicle Basement Garage
558

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

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

Lettable Retail Area
43,000 sq. ft.

Gross Office Floorplate
34,000 sq. ft.

Features and Amenities

- LEED Existing Buildings Platinum Certification
- WELL Building Standard Platinum Certification
- BEAM Plus Existing Buildings Platinum Certification
- ISO 45001 Certification
- ISO 9001 Certification
- ISO 14001 Certification
- 30,000 sq. ft. Fitness Centre
- Nine Emergency Generators (12,400kVA)
- 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

Reinventing Lifestyle Experiences

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



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. Its 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 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.



Langham Place

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-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 around 60 food and beverage outlets.

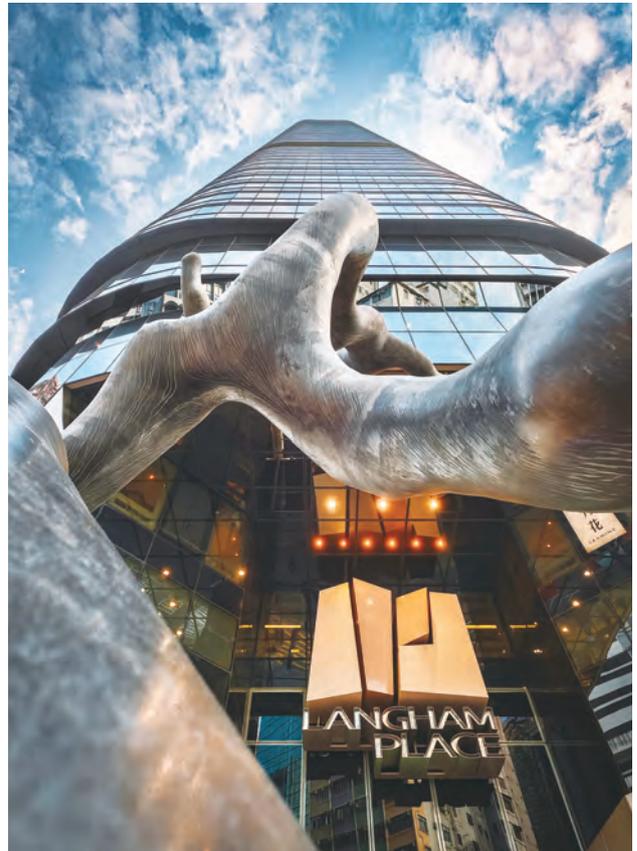
Langham Place Mall remains the most impressive shopping destination, thanks to its premium location and attractive tenant mix. The excellent accessibility of Langham Place allows its tenants to outperform in their respective market.

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 Platinum (Top honour)

Both Langham Place Mall and Langham Place Office attained the highest 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. This widely-recognized certification is a strong testimony for the continuing dedication of the mall and the office in aligning with the Trust’s 2030 long-term ESG goals.



Building Statistics

Assessed Value
HK\$24.8 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 Buildings Platinum Certification (Langham Place Mall)
- BEAM Plus Existing Buildings Platinum Certification (Langham Place Office Tower)
- HK-BEAM for New Office Designs with Excellent rating (Langham Place Office Tower)
- 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 60 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

Customers-First Approach with Novel Solutions



Despite the gradual improvement in the number of visitors in 2023, the market situation has indeed changed tremendously after the pandemic. Langham Place Mall swiftly addressed the changing consumer behaviour by implementing attentive and innovative ideas to enrich the shopping experience for local customers and tourists. The mall actively promoted through social media to stay connected with customers during the year.





Langham Beauty: Diversified Marketing Strategies Stimulate Customer Consumption

Langham Beauty has collaborated with internationally renowned beauty brands within its stores to launch more targeted and diversified promotional activities amid the challenging retail market. The goal is to increase foot traffic and consumption.

In 2023, Langham Beauty opened an official account on “Xiaohongshu”, a popular mainland Chinese social media platform. It explored new post-pandemic business opportunities through combining creative content, influencer marketing, and advertising placements to attract tourist spending in Hong Kong. Furthermore, we organised the “Langham Beauty Fest” event, offering a series of discounts and curated settings for photo opportunities. Beauty brands Charlotte Tilbury and M·A·C invited Anson Lo, singer of the sensational local boy band, MIRROR and girl group Lolly

Talk members as special guests for their events respectively, boosting footfall and consumption. To stimulate local consumption and create unique shopping experiences for customers, Langham Beauty collaborated with top tier makeup and beauty brands to host a variety of Christmas workshops, including festive makeup consultation, wreath making and herbal candle crafting. These initiatives helped foster stronger relationships with customers.

LP CLUB Members' Spending Increased over 80%

Loyalty Programme LP Club's targeted promotional campaigns proved to be a successful member recruitment drive for Langham Place. In 2023, LP CLUB recorded around 30% growth in new member acquisition compared with to the same period last year. Overall member spending increased by over 80% in 2023, with a significant rise in the number of active members.

Langham Place Mall

Tailored Marketing Campaigns to Capture Border Reopening

Langham Place Mall launched a series of festive events, thematic promotion campaigns to increase foot traffic and consumption after the reopening of the border between Hong Kong and mainland China. During the Lunar New Year in 2023, the mall partnered with “mofusand”, a popular Japanese licensed character with over one million social media followers to set up its first official pop-up store in Hong Kong. Furthermore, shoppers could enjoy up to 100% rebate of their spending at the mall. The campaign was well received by shoppers and resulted in favourable media coverage.

In response to the Government’s Consumption voucher scheme and 5.1 Golden Week, the mall curated a campaign featuring the trendy character “Bunni Konbiny” and launched a series of sales-driven programmes. We also

partnered with the lead character of famous Japanese GOTTE’s “Sukeroku’s Daily Life” series, which has over 425,000 Instagram followers. The atrium was transformed into a storybook wonderland with a Sukeroku’s Post Office installation and a pop-up store.

e-Voucher Enlivened Shopping Experience

During the year, Langham Place Mall actively enhanced its collaboration with tenants, providing members with access to an array of over 300 privileges with more than 15,000 Langham Place e-Vouchers issued. These exclusive rewards and privileges were enthusiastically received and highly appreciated by LP CLUB members. Going forward, the mall will continue to significantly increase the scope of e-Voucher, with the objective of promoting spending through seamless voucher redemption.



Year-Round Sales Program to Stimulate Customers' Spending

We collaborated with Mox Bank, a virtual bank with a customer base of over 400,000 to roll out a series of cash rebate and incentive schemes. We also offered a large-scale lucky draw from July to September with a Subaru vehicle as the top prize, leveraging the last batch of the Government's consumption vouchers and the high-consumption summer season.



Enticing Promotions to Support Government's Initiative of "Night-time Economy"

In support of the government's initiative to boost Hong Kong's night-time economy, Langham Place Mall initiated various programmes ranging from live music shows, Halloween Costume Walkabouts to consumption incentive schemes. The objective of the evening activities was to generate mall traffic after 8 pm.

To draw local customers' and tourists' attention amidst Mid-Autumn Festival and the 10.1 Golden Week, Langham Place Mall featured the classical comic strip character Snoopy to create a night adventure campaign at the atrium. It was supported by local shoppers and tourists, particularly pet owners who enjoyed taking photos while shopping in a pet-friendly and inclusive environment.



To wrap up the year, Langham Place Mall co-hosted the "Care Bears Express" with kkplus, making a debut in Hong Kong. This Christmas installation was inspired by the timeless fashion styles of the Y2K era and the unique personalities of Care Bears, aiming to break traditions and bring everyone a playful Christmas. It also specially collaborated with Hong Kong Cancer Fund ("HKCF"), with all proceeds from the sales of our special edition Care Bears donated to HKCF's Rainbow Club to help children whose families are affected by cancer.



Valuation Report



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

6 February 2024

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 2023 (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.

Site Inspection

Our valuer, Amy Ho (MRICS, MHKIS, RPS(GP)) inspected the exterior and wherever possible interior of the Property on 8 January 2024. 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.

Valuation Report

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023	Estimated Net Property Yield
Three Garden Road, Central, Hong Kong (the Property) (see Note (1))	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.	The retail portion of the Property was let under eight tenancies for various terms with the latest expiry date in December 2026, yielding a total monthly rental income of approximately HKD2.31 million, exclusive of rates, management and air-conditioning charges. The retail tenancies, except Shop No. 6 on Lower Ground Floor, were subject to turnover rents. The average monthly turnover rent receivable during the period from June 2023 to November 2023 was approximately HKD116,000.	HKD38,104,800,000 (Hong Kong Dollars Thirty Eight Billion One Hundred and Four Million Eight Hundred Thousand)	3.7%
1,449,936/1,650,000th undivided parts or shares of and in Inland Lot No 8888.	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:			
	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	
	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.	With the exception of a total vacant area of 19,569.58 sq m (210,647 sq ft), the office portion of the Property was let under various tenancies for various terms with the latest expiring date in June 2029, yielding a total monthly rental income of approximately HKD96.6 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.		

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023	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 83% 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 2023 to October 2023 was approximately HKD1.5 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 July 2026, yielding a total monthly licence fee of approximately HKD78,000, 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 HKD0.59 million, exclusive of rates and management fees.</p>		

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	<p>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).</p> <p>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).</p> <p>Restaurant Space and Shops 1 to 4 on Lower Ground Floor of the development.</p> <p>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.</p> <p>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).</p>
Maple Court Limited	<p>29th to 30th Floors and Portion B on 31st Floor of Champion Tower.</p> <p>Private car parking space nos. 21 to 22 on Basement 2 of the development.</p>
Panhy Limited	<p>Portion A on 31st Floor and 32nd to 33rd Floors of Champion Tower.</p> <p>Private car parking space nos. 42 to 44 on Basement 2 of the development.</p>

Valuation Report

Registered Owner	Portion of the Property
CP (WC) Limited	38th Floor Champion Tower.
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 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.
 - (v) 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.
 - (vi) 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 dated 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.

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

Use	Market Value as at 31 December 2023 (HKD)
Retail	594,000,000
Office	36,746,000,000
Carpark	622,800,000
Miscellaneous	142,000,000
Total	38,104,800,000

- (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 2023 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of Total
Leased	1,014,538	82.8
Vacant	210,647	17.2
Total	1,225,185	100.0

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of Total	Exclusive of Turnover Rent * Monthly Rental [#] (HKD)	% of Total	No. of Tenancy	% of Total
2018	34,297	3.4	3,258,215	3.3	1	0.9
2019	33,507	3.3	3,290,388	3.4	2	1.9
2020	52,257	5.2	6,480,614	6.7	2	1.9
2021	214,915	21.2	21,891,790	22.7	29	27.4
2022	187,527	18.4	18,511,441	19.2	31	29.2
2023	492,035 [^]	48.5	43,161,775	44.7	41	38.7
Total	1,014,538	100.0	96,594,222	100.0	106	100.0

Valuation Report

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancy	% of Total
2024	231,100 [^]	22.8	20,410,488	21.1	36	34.0
2025	520,859	51.3	50,565,954	52.4	46	43.4
2026	229,051	22.6	22,332,037	23.1	22	20.7
2029	33,528	3.3	3,285,744	3.4	2	1.9
Total	1,014,538	100.0	96,594,222	100.0	106	100.0

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancy	% of Total
1	47,227	4.6	903,423	0.9	6	5.7
2	33,218	3.3	3,025,329	3.1	11	10.4
3	735,350	72.5	72,594,974	75.2	77	72.6
4	97,411	9.6	10,236,149	10.6	7	6.6
6	67,035	6.6	6,576,132	6.8	4	3.8
7	34,297	3.4	3,258,215	3.4	1	0.9
Total	1,014,538	100.0	96,594,222	100.0	106	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.

[^] About 3% of the total leased gross rentable area is co-working space, the monthly rent is subject to the income receivable from the operator which is now operated by the owner of the Property.

(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 2023 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

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of Total	Exclusive of Turnover Rent		No. of Tenancy	% of Total
			* Monthly Rental# (HKD)	% of Total		
2015	30,517	71.7	1,388,523	60.2	1	12.5
2021	1,798	4.2	195,720	8.5	2	25.0
2022	787	1.8	71,000	3.1	1	12.5
2023	9,491	22.3	652,786	28.3	4	50.0
Total	42,593	100.0	2,308,029	100.0	8	100.0

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental#		No. of Tenancy	% of Total
			(HKD)	% of Total		
2025	2,585	6.1	266,720	11.6	3	37.5
2026	40,008	93.9	2,041,309	88.4	5	62.5
Total	42,593	100.0	2,308,029	100.0	8	100.0

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental#		No. of Tenancy	% of Total
			(HKD)	% of Total		
3	10,278	24.1	723,786	31.3	5	62.5
4	1,798	4.2	195,720	8.5	2	25.0
11	30,517	71.7	1,388,523	60.2	1	12.5
Total	42,593	100.0	2,308,029	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.

Valuation Report

OFFICE MARKET OVERVIEW

Introduction

With the full border reopening in February, the domestic demand and services trade further improved. Private consumption increased further alongside rising household income and various Government support initiatives. Hong Kong's economy showed a mild recovery in the third quarter of 2023.

Hong Kong's real GDP (Gross Domestic Product) maintained a positive growth at +4.1% y-o-y in Q3 2023. Although exports of goods fell by 8.6% y-o-y amid weak external demand for goods, the contraction narrowed as against the deeper decrease of 19% y-o-y in Q1 and 15% y-o-y in Q2. At the same time, exports of services continued to expand significantly at +23.9% y-o-y.

Hong Kong's economy continued to improve, supported by recovering inbound tourism and private consumption. However, the overall business environment is still challenging amidst various unfavourable macro factors like increasing geopolitical tensions, interest rate hikes and tight financial conditions, which weigh heavily on investment and consumption sentiment. The investment sentiment of the office market has been sluggish among other property sectors, while most investors delayed their investment decision. The market is yet to witness a notable rebound.

Office Stock

According to the Rating and Valuation Department, by the end of 2022, the total stock of private office space was about 139 million sq ft, of which 66% was Grade A, 23% was Grade B, and 11% was Grade C. By the end of November 2023, about 1.6 million sq ft of new office space of all grades had been completed in 2023.

The traditional financial hub located in the Central Business District holds the majority of the total office stock in Hong Kong. About 25% (35 million sq ft) of the total office stock of all grades come from the Central and Western District, among which 59% (20.5 million sq ft) is Grade A stock, accounting for 22% of the total Grade A stock in all districts.

Demand

Leasing activities in the office market picked up in Q3 2023, particularly in non-core areas. New committed leases were relatively balanced among the industry sectors, including TMT (technology, media and telecommunications), consumer/manufacturing, banking and finance, each accounting for about 20% of the market share.

Decentralized trend continued as the companies were keen to prioritize cost and optimize operations. By submarket, Kowloon East remained attractive to non-banking financial firms. with several notable deals observed. Expanded options available at affordable rentals may present opportunities for occupiers to prioritize flight-to-quality and upgrade their offices. In view of the potential tenants' demand, the landlord would provide more flexible leasing plans such as rent-free periods and capital expenditure subsidies to attract tenants.

Supply

According to the Rating and Valuation Department, the completion of office space of all grades in 2023 (up to November) was about 1.6 million sq ft. Grade A office spaces accounted for 90% of the new completion of the year. The major new supply (with occupation permits obtained) this year included The Twins in Kai Tak and Wing Hong Street commercial development in Kowloon West.

Forecast completions in 2024 are expected to be around 1.1 million sq ft. The primary supply will be KTR 350 in Kwun Tong and Six Pacific Place in Wanchai. For the next five years, it is estimated that 7.7 million sq ft of new office space will enter the market, averaging 1.5 million sq ft per year. Around one-third of the new supply will be located in the Greater Tsimshatsui area.

Take-up and Vacancy

According to our research, the overall Grade A office net absorption rebounded to 388,000 sq ft in Q4 2023 after staying negative for four consecutive quarters since Q4 2022. The positive figure in Q4 was mainly driven by Kowloon West submarket (346,700 sq ft), where pre-leased space from a newly completed office building materialized. Net absorption strengthened in most submarkets, such as Kowloon East (107,700 sq ft) and Greater Tsimshatsui (40,700 sq ft), except for Greater Central that logged the most notable negative take-up at -130,400 sq ft. Yet, the overall net absorption throughout 2023 remained negative.

According to our research, the overall vacancy rate of Grade A offices reached 12.7% in Q4, increasing from 11.9% in Q3. For Central district, the vacancy rate was 6.3% in Q4, increasing slightly from 6.1% in Q3.

Rental Trends

According to the Rating and Valuation Department, office rents were still on a downward trend this year. In Q3 2023, the Grade A office rental index fell to a new low since Q2 2015. Grade A office rents in Q3 2023 fell 2.4% on year-on-year comparison, though the quarterly rental change had narrowed to a smaller range of -0.2% to -0.9%, compared to -1.8% to -4.0% in 2020.

According to our research, the overall office rental level experienced a further decline in 2H 2023, with a -4.2% drop across all submarkets compared to 1H 2023. Hong Kong East saw the steepest rental fall (-11.3%) throughout 2023, followed by Greater Central (-7.4%) and Kowloon East (-6.1%), whereas Hong Kong South posted the smallest decline (-3.2%)

As several sizable new office buildings will be completed in 2024, these new office spaces to be added to the stock will push up office availability in the market, hindering the rebound in office rents. The cautious attitude taken by investors and potential occupiers will also weigh on office rents amid high vacancy levels.

Price Trends

Office price trended down due to shrinking demand and declining rental levels. According to the Rating and Valuation Department, Grade A office price index posted a -2.4% q-o-q fall in Q3 2023, after a mild improvement in the preceding quarter.

Sales activities remained low as the challenging external environment and financial market stagnation overshadowed the market. Only 136 office sales transactions were recorded in Q3, almost 30% less than the deal counts in Q1 (183 cases) and Q2 (192 cases). The total consideration shrunk to HK\$1.55 billion in Q3, over 40% lower than Q1 (HK\$2.79 billion) and Q2 (HK\$2.69 billion). It was the second-lowest quarter in terms of deal count and total consideration since Q1 2021. The low deal volume reflected that investors were still affected by the sluggish investment sentiment and held a wait-and-see attitude towards the office market.

Outlook

Hong Kong office market remained subdued in 2023 against a backdrop of global economic instability and high interest rates. Various macro factors added uncertainty to market recovery and continued to cloud investors' decision to enter the market under this challenging environment.

Despite the lacklustre property market, tourism-related sectors are anticipated to accelerate leasing momentum in the office market, benefiting from the gradual recovery of the tourism industry and retail market. Since the border reopening, Mainland occupiers had become more active in the leasing market as they contributed one-third of new lettings in Central (up to September 2023). Demand from mainland companies is expected to propel the recovery of the leasing market.

Looking ahead, the Hong Kong office market will continue to be dominated by cost-saving moves. Occupiers may leverage the low rental environment to expand and commit to new lettings, as most companies prioritize flight-to-quality options. Upcoming supply from several large-scale office projects in the pipeline will likely push up the availability rate and exert pressure on the weakening rental level.

Valuation Report



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

6 February 2024

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 2023 (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.

Site Inspection

Our valuer, Amy Ho (MRICS, MHKIS, RPS(GP)) inspected the exterior and wherever possible interior of the Property on 8 January 2024. 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.

Valuation Report

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023	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 June 2028, yielding a total monthly rental income of approximately HKD30.0 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.	HKD24,845,000,000 (Hong Kong Dollars Twenty Four Billion Eight Hundred Forty Five 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 September 2027, yielding a total monthly basic rent of approximately HKD39 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 2023 to November 2023 was approximately HKD13.8 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.			
1,075,082/1,963,066th undivided parts or shares of and in Kowloon Inland Lot No 11099.	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).	The occupancy rates of the office and retail portions are approximately 93% and 99% respectively.		

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023	Estimated Net Property Yield
	<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 29,630.06 sq m (318,938 sq ft).</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>	<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 November 2022 to October 2023 was approximately HKD2.6 million.</p> <p>Miscellaneous incomes generated from lightboxes, signage spaces and other miscellaneous items totally amount to an average monthly licence fee of approximately HKD0.82 million.</p>		

Notes:

- (1) The registered owner of the Property is Renaissance City Development Company 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 Renaissance City Development Company 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 Mong Kok Outline Zoning Plan No S/K3/36 dated 9 June 2023 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 2023 (HKD)
Office	8,719,000,000
Retail	15,557,000,000
Carpark	405,000,000
Miscellaneous	164,000,000
Total	24,845,000,000

- (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 2023 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of Total
Leased	655,946	93.3
Vacant	46,965	6.7
Total	702,911	100.0

Lease Commencement Profile

Year	Gross Rentable Area		* Monthly Rental [†]		No. of Tenancy	
	(sq ft)	% of Total	(HKD)	% of Total		% of Total
2018	17,398	2.7	913,395	3.0	1	1.3
2019	91,477	13.9	4,847,072	16.2	7	9.1
2020	59,714	9.1	2,990,150	10.0	5	6.5
2021	88,755	13.5	4,152,098	13.8	17	22.0
2022	128,840	19.6	5,433,621	18.1	12	15.6
2023	269,762 [^]	41.2	11,672,819	38.9	35	45.5
Total	655,946	100.0	30,009,155	100.0	77	100.0

Valuation Report

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancy	% of Total
2024	243,882 [^]	37.2	11,240,176	37.5	26	33.8
2025	84,196	12.8	3,953,800	13.2	16	20.8
2026	157,733	24.0	7,501,888	25.0	25	32.4
2027	1,556	0.2	71,576	0.2	1	1.3
2028	168,579	25.8	7,241,715	24.1	9	11.7
Total	655,946	100.0	30,009,155	100.0	77	100.0

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancy	% of Total
1	17,398 [^]	2.7	0	0.0	1	1.3
2	28,884	4.4	1,233,767	4.1	4	5.2
3	251,992	38.4	11,763,278	39.2	46	59.7
4	32,941	5.0	1,613,253	5.4	5	6.5
5	240,091	36.6	11,747,775	39.1	18	23.4
6	84,640	12.9	3,651,082	12.2	3	3.9
Total	655,946	100.0	30,009,155	100.0	77	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.

[^] About 2.7% of the total leased gross rentable area is co-working space, the monthly rent is subject to the income receivable from the operator which is now operated by the owner of the Property.

Note: The above tenancy profile excludes one new tenancy for a term of three years commencing in April 2024.

- (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 2023 is set out below.

Occupancy Profile

Type	Gross Rentable Area (sq ft)	% of Total
Leased	314,347	98.6
Landlord Occupied	26	0.0
Vacant	4,565	1.4
Total	318,938	100.0

Lease Commencement Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancy	% of Total
2014	44,740	14.2	5,776,281	14.8	1	0.5
2019	12,043	3.8	1,312,145	3.4	3	1.5
2020	10,068	3.2	1,023,002	2.6	3	1.5
2021	42,379 [^]	13.5	2,616,203	6.7	18	8.9
2022	71,904	22.9	8,955,042	23.0	50	24.7
2023	133,213	42.4	19,304,539	49.5	127	62.9
Total	314,347	100.0	38,987,212	100.0	202	100.0

Lease Expiry Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancy	% of Total
2023	2,165	0.7	195,500	0.5	5	2.5
2024	152,231 [^]	48.4	15,224,129	39.0	66	32.7
2025	83,342	26.5	10,897,815	28.0	66	32.7
2026	58,803	18.7	9,798,846	25.1	53	26.2
2027	17,806	5.7	2,870,922	7.4	12	5.9
Total	314,347	100.0	38,987,212	100.0	202	100.0

Valuation Report

Lease Duration Profile

Year	Gross Rentable Area (sq ft)	% of Total	* Monthly Rental# (HKD)	% of Total	No. of Tenancy	% of Total
1	61,176	19.5	5,648,751	14.5	41	20.3
2	19,012	6.0	3,191,009	8.2	37	18.3
3	127,627 [^]	40.6	17,394,513	44.6	98	48.5
4	41,723	13.3	5,046,511	12.9	21	10.4
5	9,970	3.2	960,146	2.5	2	1.0
6	10,099	3.2	970,001	2.5	2	1.0
10	44,740	14.2	5,776,281	14.8	1	0.5
Total	314,347	100.0	38,987,212	100.0	202	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.

About 9% of the total leased gross rentable area is subject to pay turnover rent only.

[^] About 8% of the total leased gross rentable area is a beauty shop, the monthly rent is subject to the income receivable from the operator which is now operated by the owner of the Property.

Note: The above tenancy profile excludes one new tenancy and six renewal tenancies for terms of approximately ten months to three years commencing between January 2024 and April 2024.

OFFICE MARKET OVERVIEW

Introduction

With the full border reopening in February, the domestic demand and services trade further improved. Private consumption increased further alongside rising household income and various Government support initiatives. Hong Kong's economy showed a mild recovery in the third quarter of 2023.

Hong Kong's real GDP (Gross Domestic Product) maintained a positive growth at +4.1% y-o-y in Q3 2023. Although exports of goods fell by 8.6% y-o-y amid weak external demand for goods, the contraction narrowed as against the deeper decrease of 19% y-o-y in Q1 and 15% y-o-y in Q2. At the same time, exports of services continued to expand significantly at +23.9% y-o-y.

Hong Kong's economy continued to improve, supported by recovering inbound tourism and private consumption. However, the overall business environment is still challenging amidst various unfavourable macro factors like increasing geopolitical tensions, interest rate hikes and tight financial conditions, which weigh heavily on investment and consumption sentiment. The investment sentiment of the office market has been sluggish among other property sectors, while most investors delayed their investment decision. The market is yet to witness a notable rebound.

Office Stock

According to the Rating and Valuation Department, by the end of 2022, the total stock of private office space was about 139 million sq ft, of which 66% was Grade A, 23% was Grade B, and 11% was Grade C. By the end of November 2023, about 1.6 million sq ft of new office space of all grades had been completed in 2023.

Yau Ma Tei/Mong Kok district is one of the preferred office locations for trading, consumer goods, insurance and service-related companies. Yau Ma Tei/Mong Kok has approximately 6.6% of the existing total office stock of all grades (9.2 million sq ft) and 4% of the total Grade A office stock (3.6 million sq ft).

Demand

Leasing activities in the office market picked up in Q3 2023, particularly in non-core areas. New committed leases were relatively balanced among the industry sectors, including TMT (technology, media and telecommunications), consumer/manufacturing, banking and finance, each accounting for about 20% of the market share.

Decentralized trend continued as the companies were keen to prioritize cost and optimize operations. By submarket, Kowloon East remained attractive to non-banking financial firms. with several notable deals observed. Expanded options available at affordable rentals may present opportunities for occupiers to prioritize flight-to-quality and upgrade their offices. In view of the potential tenants' demand, the landlord would provide more flexible leasing plans such as rent-free periods and capital expenditure subsidies to attract tenants.

Supply

According to the Rating and Valuation Department, the completion of office space of all grades in 2023 (up to November) was about 1.6 million sq ft. Grade A office spaces accounted for 90% of the new completion of the year. The major new supply (with occupation permits obtained) this year included The Twins in Kai Tak and Wing Hong Street commercial development in Kowloon West.

Forecast completions in 2024 are expected to be around 1.1 million sq ft. The primary supply will be KTR 350 in Kwun Tong and Six Pacific Place in Wanchai. For the next five years, it is estimated that 7.7 million sq ft of new office space will enter the market, averaging 1.5 million sq ft per year. Around one-third of the new supply will be located in the Greater Tsimshatsui area.

Valuation Report

Take-up and Vacancy

According to our research, the overall Grade A office net absorption rebounded to 388,000 sq ft in Q4 2023 after staying negative for four consecutive quarters since Q4 2022. The positive figure in Q4 was mainly driven by Kowloon West submarket (346,700 sq ft), where pre-leased space from a newly completed office building materialized. Net absorption strengthened in most submarkets, such as Kowloon East (107,700 sq ft) and Greater Tsimshatsui (40,700 sq ft), except for Greater Central that logged the most notable negative take-up at -130,400 sq ft. Yet, the overall net absorption throughout 2023 remained negative.

According to our research, the overall vacancy rate of Grade A offices was 12.7% in Q4, increasing from 11.9% in Q3. For Yau Tsim Mong district, the vacancy rate was 11.9% in Q4, dropping slightly from 12.4% in Q3.

Rental Trends

According to the Rating and Valuation Department, office rents were still on a downward trend this year. In Q3 2023, the Grade A office rental index fell to a new low since Q2 2015. Grade A office rents in Q3 2023 fell 2.4% on year-on-year comparison, though the quarterly rental change had narrowed to a smaller range of -0.2% to -0.9%, compared to -1.8% to -4.0% in 2020.

According to our research, the overall office rental level experienced a further decline in 2H 2023, with a -4.2% drop across all submarkets compared to 1H 2023. Hong Kong East saw the steepest rental fall (-11.3%) throughout 2023, followed by Greater Central (-7.4%) and Kowloon East (-6.1%), whereas Hong Kong South posted the smallest decline (-3.2%)

As several sizable new office buildings will be completed in 2024, these new office spaces to be added to the stock will push up office availability in the market, hindering the rebound in office rents. The cautious attitude taken by investors and potential occupiers will also weigh on office rents amid high vacancy levels.

Price Trends

Office price trended down due to shrinking demand and declining rental levels. According to the Rating and Valuation Department, Grade A office price index posted a -2.4% q-o-q fall in Q3 2023, after a mild improvement in the preceding quarter.

Sales activities remained low as the challenging external environment and financial market stagnation overshadowed the market. Only 136 office sales transactions were recorded in Q3, almost 30% less than the deal counts in Q1 (183 cases) and Q2 (192 cases). The total consideration shrunk to HK\$1.55 billion in Q3, over 40% lower than Q1 (HK\$2.79 billion) and Q2 (HK\$2.69 billion). It was the second-lowest quarter in terms of deal count and total consideration since Q1 2021. The low deal volume reflected that investors were still affected by the sluggish investment sentiment and held a wait-and-see attitude towards the office market.

Outlook

Hong Kong office market remained subdued in 2023 against a backdrop of global economic instability and high interest rates. Various macro factors added uncertainty to market recovery and continued to cloud investors' decision to enter the market under this challenging environment.

Despite the lacklustre property market, tourism-related sectors are anticipated to accelerate leasing momentum in the office market, benefiting from the gradual recovery of the tourism industry and retail market. Since the border reopening, Mainland occupiers had become more active in the leasing market as they contributed one-third of new lettings in Central (up to September 2023). Demand from mainland companies is expected to propel the recovery of the leasing market.

Looking ahead, the Hong Kong office market will continue to be dominated by cost-saving moves. Occupiers may leverage the low rental environment to expand and commit to new lettings, as most companies prioritize flight-to-quality options. Upcoming supply from several large-scale office projects in the pipeline will likely push up the availability rate and exert pressure on the weakening rental level.

RETAIL MARKET OVERVIEW

Introduction

Subsequent to the border reopening with Mainland China, a robust rebound of tourist arrivals and positive local consumption sentiment foster the recovery of Hong Kong's retail market. 10.4 million visitor arrivals were recorded for Q3 2023, outperforming the Q2 figures (8.5 million). About 1.1 million Mainland visitors were recorded during the National Day Golden Week, with a daily average of 140,000. The figure returned to nearly 85% of pre-pandemic level in 2017 to 2019.

The total retail sales volume in Q3 2023 rose by 11.7% y-o-y compared to last year's low base, as supported by inbound visitors' spending. The total retail sales for the first eleven months of 2023 reached HK\$370 billion, picking up sharply by 17% y-o-y compared with the same period in 2022. Retail sales in tourism-oriented sectors like jewellery and watches, fashion, medicines and cosmetics grew significantly.

Retail Stock

As quoted from the Rating and Valuation Department, total private commercial space stood at about 126 million sq ft as of the end of 2022. Retail stock mainly concentrates in Yau Tsim Mong (18.7%), Wan Chai (10.3%), and Central and Western (9.8%) districts.

Yau Tsim Mong (which includes Yau Ma Tei, Tsim Sha Tsui and Mong Kok) supplies a total of 23.5 million sq ft of commercial space, accounting for about 46% of 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 and street shop clusters, selling products ranging from durables and high-end goods to daily essentials.

Supply

According to the Rating and Valuation Department, up to November 2023, about 1 million sq ft of commercial space had been completed, which was 20% more than the 3-year average during the pandemic from 2020 to 2022. The major shopping malls completed (with occupation permits obtained) in the year were The Southside in the Southern district and The Twins in Kai Tak.

Completions in 2024 are forecasted at 0.82 million sq ft, which is almost half of that in 2023. Since around 60% of forecasted completions in 2023 had been achieved by November 2023, there may be some project delays due to the pandemic, and more new supplies are expected to be completed in 2024.

Take-up and Vacancy

According to the figures published by the Rating and Valuation Department, 600,000 sq ft of commercial space was taken up in 2022. Whereas, the 10-year average of commercial space take-up from 2013 to 2022 as recorded by the Government is only about +203,000 sq ft per year.

Around 10.5% of commercial space stock was vacant at the end of 2022. According to our in-house research, vigorous leasing activities prompted vacancy rates to drop further in some key retail districts. The vacancy rate in Causeway Bay declined to 2.6% by 2.7 percentage points q-o-q in Q4 2023, similar to its 2019 level, while that in Tsimshatsui went down to 10.7% by 1.2 percentage points q-o-q. Vacancy in Central remained stable at around 8.5%, while the vacancy rate in Mongkok stood at 10.9% throughout the year.

Retail market activities have been picking up in the year, with cross-border travel returning to normal. Tourist-oriented sectors continued to underpin the recovery of the retail market, with a spotlight on jewellery and cosmetic sectors taking up retail spaces in core business districts to capture the rebound of tourist spending. Other than that, new lettings of retail banks in prime locations were also observed as they expanded their presence on high streets to strengthen the customer network under the rental correction cycle.

Valuation Report

Rental Trends

According to the Rating and Valuation Department, retail index in Q3 2023 continued to achieve positive q-o-q change since Q3 2022. Rent in Q3 2023 was up 1.4% q-o-q, recovering steadily on the back of strengthened leasing sentiment and stabilizing vacancy performance.

In Q4 2023, the high-street retail rents in Causeway Bay, Tsimshatsui, Central and Mongkok posted gentle growth ranging from 0.2% to 1.2% q-o-q, bringing 5% to 10% y-o-y growth. Overall high-street rents showed improvement in 2H 2023 compared to 1H 2023. Central saw the sharpest increase of 4% in 2H23, while rents in Causeway Bay, Tsimshatsui and Mongkok moved up +2.7%, +2.9% and +3.4% respectively. As more local consumption had shifted to Shenzhen and nearby cities during weekends and holidays, F&B operators remained cautious in the market. F&B rents across submarkets grew moderately by 0.5% to 1% q-o-q.

Price Trends

According to the Rating and Valuation Department, the quarterly retail price index once turned positive in Q2 2023 after dropping for six consecutive quarters since 4Q21. However, in 3Q23, the price index fell by -0.7% q-o-q and -4.2% y-o-y.

Large sales transactions in core commercial districts were limited under the high interest rate environment. Sales activities continued to concentrate on secondary locations as trade was well sustained by the local residents on daily necessities. Several commercial podia in Tsuen Wan and Kwai Chung were transacted in 2H23. It reflected that investors were optimistic towards the potential of commercial arcades in neighbourhood locations. Given the normalization of travel activities and recovery of the leasing market, retail capital values were expected to improve moderately.

Outlook

With the revival of tourist arrivals injecting the retail sector with vibrancy, there has been substantial growth in total retail sales this year, especially in tourism-oriented retail sectors like jewellery and pharmacies. The retail market is ripe for a steady recovery over time.

However, the shifting consumption patterns of mainland visitors bring challenges to the market as they focus more on experiential travel. Retailers are trying to diversify retail offerings to attract more customers. Further, as shown by that the number of outbound travels by Hong Kong residents outnumber inbound visitor arrivals, Hongkongers now travel more frequently to nearby mainland cities and overseas. It reflected that locals are increasingly spending money outside Hong Kong. Competition from nearby GBA cities for leisure and shopping may hinder the recovery of the city's retail market.

The Government launched various initiatives, including "Night Vibes Hong Kong" campaign, aiming to encourage city's nightlife. The campaign should help stimulate local consumption and tourist spending. Landlords may have to seize the opportunity to introduce more diverse tenant mixes and cater for the shifting consumption pattern of both local citizens and mainland visitors.

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 2023.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 21 February 2024

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 (the “Stock Exchange”). The current corporate governance framework implemented by the REIT Manager emphasises accountability to all Unitholders, resolving conflict of interest, transparent reporting, compliance with relevant regulations and maintaining sound operating and investment procedures. To ensure the effective implementation of this framework, the REIT Manager has established a compliance manual comprising a comprehensive set of compliance procedures and guidelines (“Compliance Manual”) that sets out the key processes, systems and measures.

Champion REIT is a real estate investment trust formed to own and invest in income-producing office and retail properties. The Trust’s focus on Grade A commercial properties in prime locations. It currently owns two Hong Kong landmark properties and has joint venture stake in Central London. The Board of Directors (the “Board”) of the REIT Manager plays a leading role in ensuring the corporate culture of Champion REIT is in alignment with its values and strategies, which enable the Champion REIT to provide investors with stable and sustainable distributions, achieving long-term capital growth.

The Board also plays a central supporting and supervisory role in fulfilling its corporate governance responsibility and holds primary accountability for upholding appropriate standards of conduct and adherence to proper procedures. It conducts regular reviews of the Compliance Manual, as well as other policies and procedures related to corporate governance, legal, and regulatory compliance. Additionally, the Board approves any necessary changes to governance policies in alignment with the latest statutory requirements and international best practices. Moreover, it oversees corporate governance disclosures to ensure transparency and adherence to established standards. The Board takes the lead in promoting the desired corporate culture, and the corporate culture and values are integrated throughout the policies and practices of the Group, which are communicated with the management and employees.

The major activities during the year 2023 and up to the date of this report are set out below:

Corporate Governance and Control Policies and Procedures

In view of upholding the high standard of corporate governance, Director Independence Policy has been implemented to promote effective governance and ensure the availability of diverse perspectives in the decision-making processes of the Board of the REIT Manager.

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

- (i) Anti-Money Laundering and Counter-Financing of Terrorism Procedures
- (ii) Compliance Manual
- (iii) Operations Manual
- (iv) Procedures for Common Reporting Standard
- (v) Sanction Screening Procedures

Changes in Board Composition

On 1 April 2023, Mr Kwong Chi Kwong, an Executive Director, the Chief Operating Officer and Responsible Officer of the REIT Manager, passed away. An announcement in relation thereto was made on 3 April 2023.

On 14 April 2023, Professor Chan Ka Keung, Ceajer was appointed as an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager. An announcement in relation thereto was made on 14 April 2023.

**Streamlining the
Corporate Structure**

To streamline the corporate structure of Champion REIT at its subsidiaries' level, for the purpose of enhancing its administration efficiency and flexibility.

Authorisation Structure

Champion REIT is a collective investment scheme constituted as a Unit Trust and authorised by the Securities and Futures Commission of the Hong Kong (the "SFC") under Section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Trust is regulated by the SFC in accordance with the SFO, the Code on Real Estate Investment Trusts (the "REIT Code") and the Rules Governing the Listing of Securities on the Stock Exchange (the "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, the Chief Executive Officer and Executive Director; Ms Luk Ka Ping, Amy, the Investment and Investor Relations Director, and Mr Leung Kin Shan, the Business Development Director, are the Responsible Officers of the REIT Manager, fulfilling 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 (the "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 for overseeing the activities of the REIT Manager in accordance with, and for compliance with, the Deed of Trust (the "Trust Deed") constituting Champion REIT, other relevant constitutional documents and the regulatory requirements applicable to Champion REIT. Whereas the REIT Manager is responsible for managing Champion REIT in accordance with the Trust Deed and ensuring that the financial and economic aspects of Champion REIT's assets are professionally managed in the sole interests of the Unitholders. The relationship between the Trustee, the REIT Manager and the Unitholders is set out in the Trust Deed entered into between the REIT Manager and the Trustee on 26 April 2006, the first amending and restating deed dated 21 April 2021, and as amended from time to time.

Corporate Governance Report

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	Senior Internal Audit Manager
4. Finance and Accounting	Business Development Director Finance Director
5. Risk Management	Senior Internal Audit Manager
6. Information Technology	Senior Program Manager
7. Compliance	Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	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 seven members: one Executive Director, two Non-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 are as follows:

- Mr Kwong Chi Kwong, an Executive Director, the Chief Operating Officer and Responsible Officer of the REIT Manager, passed away on 1 April 2023.
- Professor Chan Ka Keung, Ceajer was appointed as an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager, all with effect from 14 April 2023.

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 is held by Ms Hau Shun, Christina, an Executive Director being 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

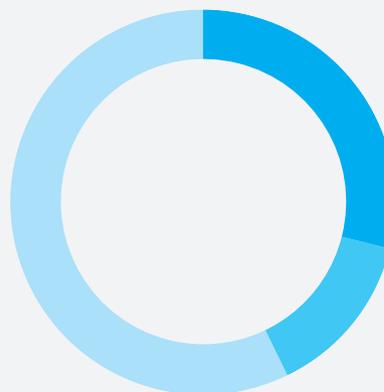
Executive Directors

HAU Shun, Christina (*Chief Executive Officer*)
KWONG Chi Kwong
(deceased on 1 April 2023)

Independent Non-executive Directors

CHAN Ka Keung, Ceajer
(appointed on 14 April 2023)
CHENG Wai Chee, Christopher
IP Yuk Keung, Albert
SHEK Lai Him, Abraham

Board Composition*



- 29% Non-executive Director
- 14% Executive Director
- 57% Independent Non-executive Director

* As at the date of this report

Biographical details of the Directors are set out in this Annual Report from 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 has served the Board for more than nine years, his/her further re-appointment shall be subject to the approval of the Unitholders at the annual general meeting of Champion REIT ("AGM") by way of an Ordinary Resolution.

Dr Lo Ka Shui is the chairman and managing director of Great Eagle Holdings Limited ("Great Eagle"), and 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"). Great Eagle has a 69.23% interest of Champion REIT. 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.

Corporate Governance Report

Set out below is a summary of areas 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 Director		
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
Independent Non-executive Directors		
CHAN Ka Keung, Ceajer	Former Secretary for Financial Services and the Treasury of the HKSAR	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
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
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 and 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

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, and ensuring compliance with the licensing and authorisation conditions of both the REIT Manager and the Trust, as well as 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.

Matters Reserved for the Board

Statutory Obligations

Approval of:

- (i) The interim, final and/or any other distribution(s) of Champion REIT from time to time permitted under the REIT Code and the Trust Deed;
- (ii) The annual and semi-annual reports and accounts, unaudited interim and audited financial statements;
- (iii) Circulars to Unitholders, including those convening general meetings;
- (iv) Changes to the Articles of Association of the REIT Manager; and
- (v) Appointment of new Directors to the REIT Manager.

Recommendation to Unitholders of:

- (i) Changes to the provisions in the Trust Deed; and
- (ii) Appointment and removal of auditor of Champion REIT and the approval of the audit fee.

Corporate Governance, Strategic and Financial Matters

Approval of:

- (i) Treasury, taxes, financial risk management and capital policies (including funding and the issue of ordinary units, different classes of units and different forms of borrowings);
- (ii) Sale and acquisition of properties by Champion REIT, the value of which exceeds 15% of the Gross Asset Value (or such other threshold as may be prescribed under the REIT Code);
- (iii) Issue of new Units;
- (iv) Reports of the auditor and both the unaudited interim and the audited final financial statements;
- (v) Capital expenditure, acquisitions, and disposals in excess of the discretionary power of the relevant officer (if any) of the Manager;
- (vi) Significant changes in accounting policy; and
- (vii) Any changes to the Corporate Governance Policy.

Corporate Governance Report

Matters Reserved for the Board

Personnel Matters

Approval of:

- (i) Appointment and removal of the CEO;
- (ii) Appointment and removal of any Directors by the Board; and
- (iii) The arrangement of liability insurance for Directors and senior management.

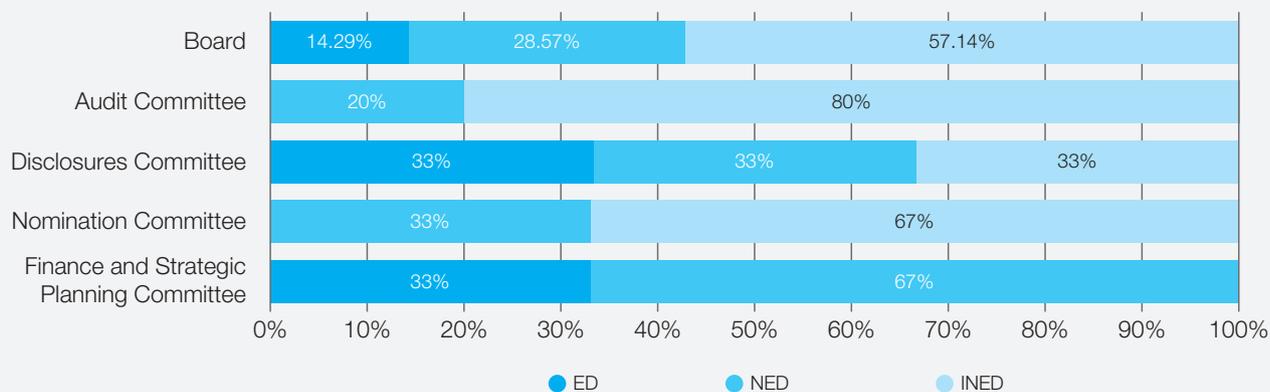
Other Matters

Approval of:

- (i) Any matter which would have a material effect on Champion REIT’s financial position, liabilities, future strategy or reputation;
- (ii) Material contracts not in the ordinary course of Champion REIT’s business;
- (iii) Power and authority of the Board or the Board-appointed committees, that is, what to delegate to the committees, with the proviso that such committees to be under an obligation to report back to the Board; and
- (iv) Potential areas of possible conflict (that is, if a substantial holder of Champion REIT or a Director has a conflict of interest in a matter to be considered by the Board, the matter should not be dealt with by a committee (except an appropriate Board committee set up for that purpose pursuant to a resolution passed in a full Board meeting, for example, the Audit Committee or similar ad-hoc committee established to deal with a specific matter).

Board Independence

The Board of the REIT Manager recognize that Board independence is critical to good corporate governance and Board effectiveness. The participation of Independent Non-executive Directors brings independent and objective judgment on the affairs of the Trust including but not limited to issues relating to the Trust’s strategy, performance, conflict of interest and management process, thus ensuring that the Trust operates in the best interests of the Unitholders. To ensure independent views and input from any Director of the REIT Manager and the Trust are available to the Board effectively, a Director Independence Policy was adopted. The Board has also reviewed and ensured the effective implementation of the following mechanisms within the corporate governance framework of the Trust:



1. *Board Composition*

The Board currently comprises seven members, including two Non-executive Directors (“NEDs”), one Executive Director (“ED”), and four Independent Non-executive Directors (“INEDs”), which is in compliance with the requirement under Rule 3.10A and 3.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) that at least one-third of the Board members and a minimum of three members of the Board are INEDs. Following the appointment of Professor Chan Ka Keung, Ceajer as an INED (the “Appointment”) on 14 April 2023, Champion REIT was in compliance with code provision B.2.4(b) of the CG Code as contained in Appendix C1 to the Listing Rules to appoint a new INED to the board at the 2023 AGM, as all the INEDs before the Appointment had served more than nine years on the Board.

2. *Independence Assessment*

Each of the INEDs has provided a written annual confirmation of independence to the REIT Manager on their fulfilment of the independence criteria set out under Rule 3.13 of the Listing Rules. The Nomination Committee has assessed the independence of INEDs upon appointment and annually to ensure they can continually exercise independent judgement ability. Common directorships of the Board members have been reviewed by the Nomination Committee annually and Directors’ interests in competing business were disclosed in the Annual Report of Champion REIT.

3. *Proceedings of the Board*

The dates of the regular Board and Board Committee Meetings of the year were determined in the fourth quarter of the previous year. At least 14 days’ formal notice of regular Board and Board Committee Meetings was given to all Directors, and all Directors were invited to include matters for discussion in the agenda. Directors were provided with the meeting agenda and the relevant board papers containing complete, adequate and timely information at least three days in advance of every regular Board and Board Committee meeting to enable full deliberation on the issues to be considered at the respective meetings.

4. *Disclosure of Interest*

During the Year, each of the Directors of the REIT Manager have disclosed his/her interest and/or any actual or potential conflict of interest, if any, in the matters to be considered at the Board and Board Committee Meetings and abstained from voting in respect of any transactions, contracts or arrangements in which he/she has material interest (where applicable), in accordance with the Articles of Association of the REIT Manager and the Trust Deed. The EDs and NEDs have provided confirmations of any material interests in competing businesses of the Company.

5. *Board Decision Making*

During the Board and Board Committee meetings, NEDs and INEDs were encouraged to express freely their independent views and inputs in an open and candid manner, provide open and objective challenge and informed insight and responses to the management and brought outside knowledge of the businesses and markets in which the Trust Group operates. Comments and concerns raised by the Directors were closely followed up by the management.

The Company Secretary is required to prepare minutes that record not only the decision reached but any concern raised or dissenting views expressed by Directors. Draft version of the minutes is circulated to all Directors for their comment and confirmation. The final version is provided to the Directors for records. Minutes of all Board and Board Committee Meetings are available for Directors’ inspection.

Corporate Governance Report

6. *Supply of and Access to Information*

Directors were provided with monthly reports covering highlights of the Trust's major businesses to keep abreast of the Trust Group's business performance and enable them to make informed decisions in the best interests of the Trust Group and its Unitholders. More thorough and comprehensive management and financial updates were provided to all Board members on a quarterly basis to ensure each member was informed and aware of the financial performance and position of the Trust Group and make proper response and follow-ups. The Directors were also kept updated on any material developments from time to time through notifications and circulars.

If there were material matters that require the immediate attention of the Board members, the REIT Manager would provide the Directors with the necessary information in the form of exceptional reports. Also, additional information would always be provided to the Directors upon request.

To facilitate proper discharge of Directors' duties and responsibilities, all Directors (including INEDs) were entitled to seek advice from the Company Secretary or in-house legal team as well as from independent professional advisers at the expense of the Trust Group, in which the Company Secretary was responsible for making all necessary arrangement.

7. *Appointment Process*

During the year, Professor Chan Ka Keung, Ceajer was appointed as an INED. The Nomination Committee has followed the selection criteria and evaluation process as set out in the Nomination Policy. Professor Chan retired from office and was subject to re-election at the 2023 AGM and disclosure was made in the AGM circular to the Unitholders of Champion REIT. A separate resolution was proposed at the 2023 AGM for the re-election of Professor Chan.

Mr Ip Yuk Keung, Albert, being an INED who has served the Board for more than nine years, was subject to re-election at the 2023 AGM. The Nomination Committee has reviewed his independence and considered Mr Ip continued to be independent and disclosure was made in the AGM circular to the Unitholders of Champion REIT. A separate resolution was proposed at the 2023 AGM for the re-election of Mr Ip.

8. *Induction and Continuing Development*

During the year, an induction pack and an orientation program were provided to the newly appointed INED. Such pack and program would familiarise the newly appointed Director with the business and operations of the Trust Group, legal framework under which the Champion REIT is governed and the internal control procedures and policies of Champion REIT. The induction pack included 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 provided subsequent information packages to the Directors from time to time to keep them abreast of latest developments in the industry and legal framework that are relevant to the affairs of Champion REIT.

9. *Remuneration of Independent Non-executive Directors*

INEDs and NEDs receive only fixed fees for their roles as members of the Board and Board Committees and no profit-related pay was granted.

10. *Time Commitments*

All Directors have provided written confirmations that they have spent sufficient time and attention to the affairs of Champion REIT for the Year. Besides, all Directors have attended all regular meetings of the Board and Board Committees on which they serve. They have also attended the AGM to acquire an understanding of the views of Unitholders.

In view of the aforesaid mechanisms, the Board considers that it is effective in ensuring that independent views are available to the Board and all Independent Non-executive Directors 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 legislation, industry news and materials relevant to the roles, functions and duties of 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.

During the year ended 31 December 2023, the Directors received information packages focused on the topics such as updates on the latest development and changes in the Listing Rules and SFO and other relevant legal and regulatory requirements, corporate governance, compliance, risk management, directors duties and global trend. Each of the Directors has confirmed that he or she has participated in no less than 10 training hours during the year ended 31 December 2023, and all the Directors have provided confirmation on their respective training records to the REIT Manager. The training sessions attended by the Directors during the year are as follows:

Training Record

Name of Directors	Subject Areas				
	Legal and Regulatory	Corporate Governance and ESG	Taxation and Financial Reporting	Industry News and Updates	Anti-Corruption
Non-executive Directors					
LO Ka Shui (<i>Chairman</i>)	✓	✓	✓	✓	✓
WONG Mei Ling, Marina	✓	✓	✓	✓	✓
Executive Director					
HAU Shun, Christina (<i>Chief Executive Officer</i>)	✓	✓	✓	✓	✓
Independent Non-executive Directors					
CHAN Ka Keung, Ceajer (appointed on 14 April 2023)	✓	✓	✓	✓	✓
CHENG Wai Chee, Christopher	✓	✓	✓	✓	✓
IP Yuk Keung, Albert	✓	✓	✓	✓	✓
SHEK Lai Him, Abraham	✓	✓	✓	✓	✓

Each of the members of the senior management have also provided their respective training records to the REIT Manager and have confirm participated in at least 10 training hours during the year ended 31 December 2023.

Insurance

During the year ended 31 December 2023, appropriate directors' and officers' liabilities insurance and professional indemnity insurance has 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 transactions, arrangements or contracts of significance that requires disclosure in accordance with the Listing Rules and REIT Code subsisting during or at the end of the year in which a Director or a connected entity was materially interested, either directly or indirectly.

Corporate Governance Report

Disclosure on Remuneration

According to the Trust Deed, the REIT Manager is 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.

In accordance with the announcement of Champion REIT dated 30 November 2012, the REIT Manager notified HSBC Institutional Trust Services (Asia) Limited (the "Trustee") in writing to receive 50% of the REIT Manager's fee arising from the real estate owned by Champion REIT in the form of Units and the remaining 50% in cash. As the REIT Manager has not elected the payment method of Manager's fee for the Year, the most recent valid election by the REIT Manager on 30 November 2012 shall be applied to the financial year 2023 according to Clause 11.1.2 of the Trust Deed. The Manager's Fee for the year ended 31 December 2023 amounted to approximately HK\$236 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 prior approval of the Unitholders pursuant to 12.6 of the REIT Code.

The remuneration of Directors and staff of the REIT Manager is paid by the REIT Manager, 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, including the Chief Executive Officer 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 members 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.

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.

Board of Directors			
Audit Committee	Disclosures Committee	Nomination Committee	Finance and Strategic Planning Committee
Four INEDs and one NED: <ul style="list-style-type: none"> Mr Shek Lai Him, Abraham (<i>Chairman</i>) Professor Chan Ka Keung, Ceajer Mr Cheng Wai Chee, Christopher Mr Ip Yuk Keung, Albert Dr Lo Ka Shui 	One ED, one NED and one INED: <ul style="list-style-type: none"> Ms Hau Shun, Christina (<i>Chairman</i>) Dr Lo Ka Shui Mr Shek Lai Him, Abraham 	Two INEDs and one NED: <ul style="list-style-type: none"> Mr Shek Lai Him, Abraham (<i>Chairman</i>) Mr Cheng Wai Chee, Christopher Dr Lo Ka Shui 	One ED and two NEDs: <ul style="list-style-type: none"> Dr Lo Ka Shui (<i>Chairman</i>) Ms Hau Shun, Christina Ms Wong Mei Ling, Marina

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.

Audit Committee's Principal Responsibilities

- | | |
|---|---|
| Financial Reporting | <ul style="list-style-type: none"> • Reviewing financial statements • Reviewing major issues regarding accounting principles and financial statement presentations, including any major modification in the application of accounting principles |
| 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 • Conducting a review on the effectiveness of the risk management and internal control systems and procedures for financial reporting as and when appropriate • Ensuring the internal audit function is adequately resourced and running effectively • Reviewing and considering procedures for the receipt, retention and treatment of complaints received by the Manager regarding accounting, internal accounting controls, or auditing matters; and confidential, anonymous submissions by employees of the Entities of concerns regarding questionable accounting or auditing matters |
| External Audit | <ul style="list-style-type: none"> • Making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and the remuneration and terms of engagement of the external auditor, and any matters relating to the resignation or dismissal of the external auditor in respect of cost, scope and performance • Considering all audit and non-audit services to be provided by the external auditor • 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 provisions of the REIT Code relating to transactions between Champion REIT and a "connected person" (as defined in the REIT Code and the Listing Rules) |

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 2023, two physical Audit Committee meetings were held. The following is a summary of the major work done by the Audit Committee during the year 2023:

Summary of Major Work Done by the Audit Committee in 2023

Financial Reporting

- Reviewed the audited financial statements for the year ended 31 December 2022 and the unaudited financial statements for the six months ended 30 June 2023, with particular regard to the qualitative aspects of Champion REIT's accounting practices including the following significant risks that Champion REIT was exposed to:
 - (i) the fair value of derivative financial instruments such as the cross currency swaps and interest rate swaps;
 - (ii) the effectiveness of cash flow hedge;
 - (iii) the investment in the joint venture formed for acquisition of an office property situated at 66 Shoe Lane, London;
 - (iv) the allowance for credit losses on notes receivables and interest receivables; and
 - (v) net current liabilities of Champion REIT
- Evaluated the impact of new amendments/interpretations issued by The Hong Kong Institute of Certified Public Accountants on the results and financial position of Champion REIT
- Reviewed the Annual Report comprising the Corporate Governance Report; the Sustainability Report; and the Final Results Announcement for the year ended 31 December 2022
- Reviewed the Interim Report and the Interim Results Announcement for the six months ended 30 June 2023
- Reviewed and approved the 2023 annual budget and forecasts and annual business plan prepared by the REIT Manager

Risk Management and Internal Control

- Reviewed the reports from 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 its the terms of engagement

Compliance

- Reviewed the legal and regulatory compliance matters for the year ended 31 December 2022 and for the six months ended 30 June 2023, which included, among others, the Reports on Connected Party Transactions

Disclosures Committee

The REIT Manager established the Disclosures Committee in 2006 and adopted the amended terms of reference in 2021. 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 interest

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 being disseminated to the public or filing with regulatory agencies, as applicable
- Reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies
- Selecting, appointing, directing, and terminating, where appropriate, outside experts (such as legal advisors or accountants) as it deems necessary in the performance of its duties

Corporate Governance Report

During the year 2023, two physical Disclosures Committee meetings were held and three written resolutions were passed by all members of the Disclosures Committee. The following is a summary of the major work done by the Disclosures Committee during the year 2023:

Summary of Major Work done by the Disclosures Committee in 2023

Corporate Disclosure

- Reviewed and approved the Announcement to Unitholders in relation to the passing away of Mr Kwong Chi Kwong, an Executive Director, the Chief Operating Officer and Responsible Officer of the REIT Manager on 3 April 2023
- Reviewed and approved the Announcement to Unitholders in relation to the appointment of Professor Chan Ka Keung, Ceajer as Independent Non-executive Director and a member of the Audit Committee and changes in the Board composition of the REIT Manager on 14 April 2023
- Reviewed and approved the Sustainability Report for the year ended 31 December 2022
- Reviewed the disclosure checklist and approved the 2022 Annual Report of Champion REIT and announcements in relation to the final results for the year ended 31 December 2022, 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 2023 AGM
- Reviewed the disclosure checklist and approved the 2023 Interim Report of Champion REIT and announcements in relation to the interim results for the six months ended 30 June 2023, the payment of manager's fee in cash and units and the interim distribution
- Reviewed and approved the Announcement to Unitholders in relation to the change in information of Mr Shek Lai Him, Abraham, an Independent Non-executive Director of the REIT Manager on 23 August 2023

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 selecting make recommendations to the Board on the selection of individuals nominated for directorships
- Making recommendations for the appointment or re-appointment as Director to, and proposing removals from the Board, as well as advising on succession planning for Directors, in particular the Chairman and the Chief Executive Officer

Corporate Governance

- Assessing the independence of INEDs
- Formulating, maintaining and updating the Board Diversity Policy and Nomination Policy of the REIT Manager

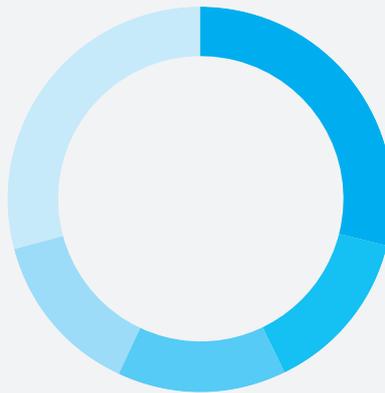
Board Diversity Policy

The Nomination Committee adopted a board diversity policy (the "Board Diversity Policy") in 2020 to promote diversity among Board members, recognizing its significance in achieving its strategic objectives and attracting top talent. 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. However, it will not set any restrictions such as 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 Group'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 Company's corporate strategy. The Chairman of the Board should be a Non-executive Director of the REIT Manager and at least-one-third of the Board, with a minimum of three members, should be Independent Non-executive Directors.

Corporate Governance Report

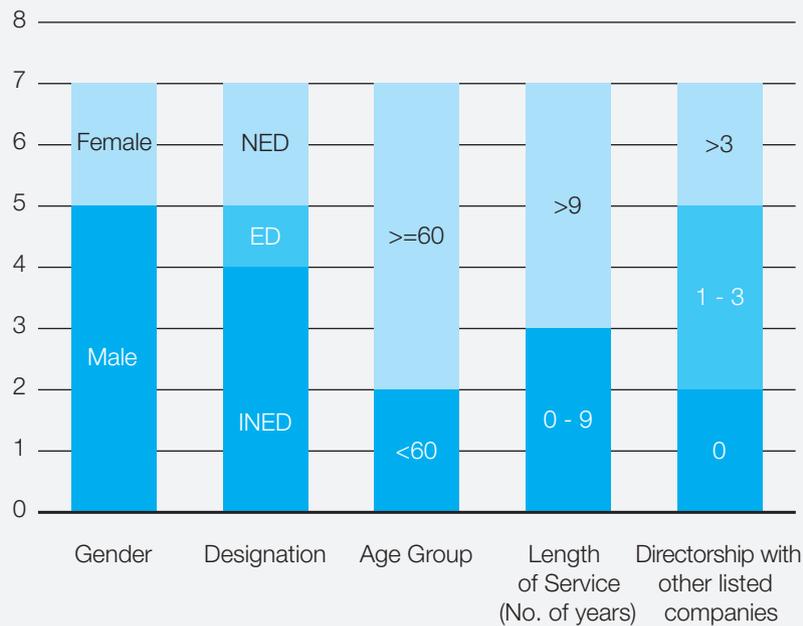
The Board reviewed the implementation and effectiveness of the Board Diversity Policy in February 2024. The Board considers the current Board composition has provided the REIT Manager with a balance of skills, experience and diversity of perspective appropriate to its business requirements. The following chart shows the diversity profile of the Board as at the date of this report:

Area of Experience



- 29% Property Development, Investment and Management
- 14% Leasing, Marketing and Asset Management
- 14% Governance and Compliance
- 14% International Banking, Investment and Financing
- 29% Government

Number of Directors



Remarks:
 NED - Non-executive Director
 ED - Executive Director
 INED - Independent Non-executive Director

Nomination Policy

The Nomination Committee adopted a nomination policy of the REIT Manager (the “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 2023, one physical Nomination Committee meeting was held and one written resolution was passed by all members of the Nomination Committee. The following is a summary of the major work done by the Nomination Committee during the year 2023:

Summary of Major Work done by the Nomination Committee in 2023

Board Composition

- Reviewed and nominated Professor Chan Ka Keung, Ceajer as Independent Non-executive Director and a member of Audit Committee of the REIT Manager to the Board on 14 April 2023
- 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 2023 AGM

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 (the “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. It reports to 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

- Reviewing the Trust’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 Trust’s treasury management activities, such as expenditures, investments and divestment in stocks, bonds and securities, etc.
 - Reviewing the Trust’s cash requirements and sources of cash, including debt or equity issuances, revolving credit facilities, or other debt instruments or facilities, and, if appropriate, making recommendations to the Board with respect thereto
 - Reviewing and monitoring the implementation of proposed acquisitions and/or disposal of real estate and investments and, where appropriate, making recommendations to the Board with respect thereto
 - Overseeing the implementation of the Trust’s key financial and operational controls and processes. This oversight includes:
 - (i) Maintaining general industry awareness and recommending changes to the Compliance Program based on industry developments, legal guidance, practices of the Trust and/or other standards and requirements identified by the Committee.
 - (ii) Evaluating policies and controls of the Group, including operations, finance, budgeting, governance, and compliance.
 - (iii) Monitoring progress towards the achievement of the financial strategy, financial targets, and operational performance associated activity levels.
-

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.

Board and Board Committee meetings of the REIT Manager were held either by means of video conference and/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 on the agenda. For special Board and Board Committee meetings, reasonable notice will be given to all Directors.
- An agenda and accompanying Board papers will be sent to all Directors at least 3 days before 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 resolved by way of resolution in writing or by a Committee (except by an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but, rather, 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 2023 is set out in the table below:

Number of Meeting(s) attended/Eligible to attend in 2023

Name of Directors	Board Meeting	Audit Committee Meeting	Disclosures Committee Meeting	Nomination Committee Meeting	2023 AGM
Non-executive Directors					
LO Ka Shui (<i>Chairman</i>)	4/4	2/2	2/2	1/1	✓
WONG Mei Ling, Marina	4/4	–	–	–	✓
Attendance Rate	100%	100%	100%	100%	100%
Executive Directors					
HAU Shun, Christina (<i>Chief Executive Officer</i>)	4/4	–	2/2	–	✓
KWONG Chi Kwong (passed away on 1 April 2023)	1/1	–	–	–	–
Attendance Rate	100%	–	100%	–	100%
Independent Non-executive Directors					
CHAN Ka Keung, Ceajer (appointed on 14 April 2023)	3/3	1/1	–	–	✓
CHENG Wai Chee, Christopher	4/4	2/2	–	1/1	✓
IP Yuk Keung, Albert	4/4	2/2	–	–	✓
SHEK Lai Him, Abraham	4/4	2/2	2/2	1/1	✓
Attendance Rate	100%	100%	100%	100%	100%
Overall Attendance Rate	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 is knowledgeable about 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 laws, rules and regulations, are followed.

Management of Business Risk

The Board of the REIT Manager meets quarterly or more often if necessary to review the financial performance of the REIT Manager and Champion REIT against a previously approved budget. The Board also reviews any risks to assets of Champion REIT, examines liability managements and acts upon any recommendations from the auditor of Champion REIT. In assessing business risk, the Board considers the economic environment and the property industry risk. It reviews 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 Investment and Investor Relations Director, the Business Development Director, the Finance Director, the Senior Internal Audit Manager, the Senior Program Manager, and the Compliance Manager. Chaired by the Chief Executive Officer, the management team meets regularly for operation updates and sharing among the team members. In 2023, 12 management team meetings were held.

Whistleblowing Policy

The REIT Manager has implemented a Whistleblowing Policy to provide guidelines and channels for reporting possible improprieties in financial reporting or other matters, and to reassure whistleblowers. The policy sets out the procedures to ensure well-defined and accessible channels for reporting misconduct, malpractice or irregularity for the independent investigation and appropriate follow-up action. The policy aims to encourage reporting in good faith, with assurance 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 implemented a Unitholder Communication Policy to promote effective engagement with the Unitholders of Champion REIT, including both individual and institutional investors, and other stakeholders, providing them with 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 2024.

During the year under review, Champion REIT's website was regularly updated to maintain effective ongoing communication with Unitholders, who could access the latest information about the Trust through website. Information released by the Trust to the Stock Exchange was also posted on Champion REIT's website as soon as reasonably practicable. Unitholders were provided with opportunities to communicate directly with the Directors at general meetings, and enquiries 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 implemented a Staff Dealing Policy 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 in place 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), as well as general law and other applicable rules or laws.

Conflict of Interest 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. Potential conflict of interest may arise between Great Eagle and Champion REIT concerning the performance of estate management services in relation to Three Garden Road, Langham Place, or other properties.

Corporate Governance Report

Business Competition

The Great Eagle Group (the “GE Group”) is one of Hong Kong’s leading property companies; the GE Group also owns and manages an extensive international hotel portfolio branded under “Langham”, “Cordis”, “Eaton” and their affiliate brands. Headquartered in Hong Kong, the GE 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 for 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 conflict 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 conflict of interest arising between Great Eagle and Champion REIT because the Property Manager provides property management services (including leasing and marketing functions) exclusively for Three Garden Road and Langham Place, 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 other Great Eagle entities that perform leasing and marketing functions for other properties held by Great Eagle. To ensure 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 Conflict of Interest

The REIT Manager has instituted various procedures to deal with potential conflict 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, the Disclosures Committee and Finance and Strategic Planning Committee to promote a high level of corporate governance and address any potential conflict 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, Compliance Manual, Listing Rules and other relevant policies and guidelines issued for and adopted by Champion REIT.

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\$2,338,000 (2022: HK\$2,700,000) for audit and audit related services, and HK\$700,000 (2022: HK\$685,000) for non-audit services.

Corporate Governance Report

General Meetings

Attendance

Champion REIT will hold a general meeting each year as its AGM in addition to any other meetings in that year. The 2023 AGM was held on 25 May 2023 and all Directors in attendance. The Chairman of the Board and the chairman of each of the Audit Committee, Nomination Committee and Disclosures Committee also attended the 2023 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 auditor's report, the accounting policies and auditor independence and any related questions from Unitholders.

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 issued and outstanding Units. Under the Listing Rules, the notice should be sent at least 21 days before AGM and at least 14 days for general meeting other than AGM while it is a requirement under the Trust Deed that at least 20 clear business days' notice of the meeting shall be given to Unitholders for convening the AGM, and at least 10 business days' notice shall be given to Unitholders for convening a meeting other than AGM.

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. An authorised representative shall have the same rights and powers as if he/she is an individual Unitholder.

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 20 clear business days or 21 days prior to an AGM, and no less than 10 clear business days or 14 days prior to any other general meeting, whichever period is longer. Detailed information on each resolution to be proposed will also be provided.
- The external auditor will attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies, auditor independence, and any other related questions that Unitholders may raise.
- All votes at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- An independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be announced on the websites of Champion REIT and the Stock Exchange on the same day the meeting concluded.

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. Champion REIT prioritises timely, mutual, and effective communication with Unitholders and the investment community about corporate strategy, business developments, and future prospects. The Chairman of the Board will attend the AGM, with representatives of the Audit, Disclosures, and Nomination Committees, as well as the external auditor, 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 conducts regular meetings with existing and potential investors, financial analysts and media at one-on-one meetings, group meetings, local and overseas conference and roadshows. Analyst briefings and investor meetings were also held during the year.

Corporate Governance Report

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

Year of AGM	2019	2020	2021	2022	2023
Total voting rights at the AGM					
Number of shares represented	4,695,167,710	4,479,024,133	4,442,454,230	4,419,366,160	4,396,028,971
% of shares represented	80.14	76.06	75.02	74.21	73.38
Number of issued shares as at the date of the AGM					
	5,858,503,599	5,888,833,523	5,921,451,723	5,955,056,541	5,990,682,244

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 the 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 there is at least one distribution period for each financial year and that the last distribution period ends on the last day of the financial year. The effective payout ratio for the year ended 31 December 2023 is 90.2%.

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 auditor and subsequent appointment of new auditor; 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 Control Policy on Preservation and Misuse 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, the 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 to determine the appropriate actions to be taken including public disclosure.

Corporate Governance Report

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

Date	Particulars	No. of Units
1 January 2023	Number of issued Units	5,973,675,590
13 March 2023	Issue of new Units to the REIT Manager at the price of HK\$3.519 per Unit (being the market price as 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\$59,846,000 payable by Champion REIT for the six months ended 31 December 2022	17,006,654
5 September 2023	Issue of new Units to the REIT Manager at the price of HK\$2.62 per Unit (being the market price as 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\$60,397,000 payable by Champion REIT for the six months ended 30 June 2023	23,052,287
31 December 2023	Number of issued Units	6,013,734,531

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 organisational 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;
- (e) Structured internal audit function (the "Internal Audit") to perform independent appraisal of major operations on an ongoing basis; and
- (f) Information Security Awareness Training regularly organised by the Internal Audit.

Through the Audit Committee and the Internal Audit, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2023.

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, cyber-security, 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 summarizing 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, the 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 is approved by the Audit Committee. The 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 the 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 2023 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 2023.

Corporate Governance Report

Interest of, and Dealings in Units by, Directors and Relevant Personnel of the REIT Manager, or the Substantial Unitholders

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code (the “Code on Securities Dealings”) governing dealings in the securities of Champion REIT by the Directors and Relevant Personnel (as defined in the Code on Securities Dealings) 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 (the “Model Code”) in Appendix C3 contained in the Listing Rules. Pursuant to the Code on Securities Dealings, any Directors and Relevant Personnel wishing to deal in the Units must first have regard to the 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 or Relevant Personnel must not make any unauthorised disclosure of confidential information obtained in the course of his/her or its service such as a Director, office-holder or employee of the REIT Manager, or its position as the REIT Manager of Champion REIT to any other person 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 2023.

Directors or Relevant Personnel 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 or Relevant Personnel who are privy to relevant negotiations or agreements or any inside information should caution those Directors or Relevant Personnel 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 interest 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.

Having made specific enquiries, all members of the Board and relevant personnel of the REIT Manager of Champion REIT confirmed that they had fully complied with the Code on Securities Dealings during the year ended 31 December 2023.

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 AGM held on 25 May 2023. During the year ended 31 December 2023, neither the REIT Manager nor any of Champion REIT’s special purpose vehicles had bought back, sold or redeemed any Units pursuant to this mandate.

Real Estate Sale and Purchase

Champion REIT did not enter into any (i) real estate sales and purchases; and (ii) investments in Property Development and Related Activities (as defined in the REIT Code) during the year ended 31 December 2023.

Relevant Investments and Investments in Property Development and Related Activities

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

The full investment portfolio of the Relevant Investments¹ of Champion REIT as at 29 February 2024 is set out below:

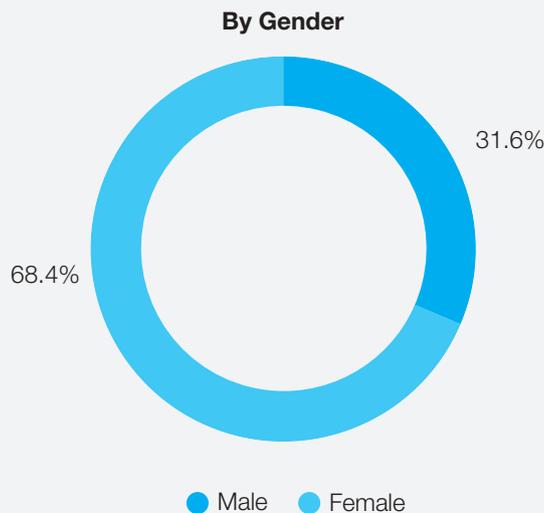
As at 29 February 2024	Type	Primary Listing	Country of Issuer	Currency	Total Cost ² (HK\$'000)	Mark-to-market Value ² (HK\$'000)	Weighting of GAV ³	Credit Rating (S&P's/ Moody's/ Fitch's)
NANFUN 4 7/8 05/29/24 EMTN	Bond	Singapore Exchange	BVI	USD	56,602	53,490	0.0836%	BBB- / Baa3 / -
CIFIHG 5.95 10/20/25	Bond	Hong Kong Exchange	Cayman Islands	USD	46,493	4,303	0.0067%	- / - / -
HKE 2 7/8 05/03/26	Bond	Hong Kong Exchange	BVI	USD	7,758	7,455	0.0116%	A- / - / -
CKHH 1/2 04/15/26	Bond	Singapore Exchange	Cayman Islands	USD	14,530	14,498	0.0226%	A / A2 / A-
SWIPRO 3 3/4 01/13/26	Bond	Hong Kong Exchange	Hong Kong	USD	23,526	22,732	0.0355%	- / A2 / A
MOLAND 9 12/28/24	Bond	Singapore Exchange	Cayman Islands	USD	1,247	18	0.0000%	- / - / -
MOLAND 11 12/30/27	Bond	Singapore Exchange	Cayman Islands	USD	2,495	69	0.0001%	- / - / -
Total					152,652⁵	102,564	0.1601%	

- 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.
 - The accumulated bond interest income received from the corresponding bonds investment with a total cost of HK\$152,652,000 as at 29 February 2024 was approximately HK\$30,131,000.

Corporate Governance Report

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 2023:



Compliance

Throughout the year ended 31 December 2023, Champion REIT and the REIT Manager had complied with the REIT Code, the Trust Deed of Champion REIT, the relevant provisions and requirements of the SFO, the applicable provisions of the Listing Rules.

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

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 at least 25% of the issued and outstanding Units of Champion REIT being held by the public.

Review of Annual Report

The annual report of Champion REIT for the year ended 31 December 2023 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 preparing the accounts of Champion REIT for the year ended 31 December 2023. The consolidated financial statements of Champion REIT and its controlled entities for the year ended 31 December 2023 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 2023 is set out in the Independent Auditor's Report from pages 120 to 124 of this Annual Report.

High Standards of Corporate Governance

The Board regularly evaluates and looks for improvements in the governance approach to respond to changes, and to ensure that it is relevant and aligned with best practices. Good corporate governance practice is key to the long-term success of the Trust in an ever-evolving business landscape. The Board believes the effective integration of corporate governance, environmental and social responsibilities could potentially release even greater value. For details of the environmental and social performance, please refer to the Sustainability Report.

Connected Party Transactions Report

Annual Caps of 2023–2025 Continuing Connected Party Transactions (“CCT Annual Caps”)

On 24 November 2022, an extraordinary general meeting of Champion REIT (the “EGM”) was held to seek independent Unitholders’ approval on the CCT annual caps and the entering into of the Framework Agreements (as defined in the notice of the EGM). The renewal of CCT annual caps complies with the requirements of the REIT Code and Chapter 14A of the Listing Rules. The ordinary resolutions received an overwhelming 99.96% of the votes in favour. Details of the above were set out in the circular to the Unitholders dated 8 November 2022.

Set out below is the information in respect of connected party transactions involving Champion REIT and its connected persons as defined in paragraph 8.1 of the REIT Code:

Connected Party Transactions with the Great Eagle Connected Persons

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 a substantial holder (as defined under the REIT Code) of Champion REIT through the direct unitholding of its controlled corporations. Further details regarding these relationships are disclosed in the “Disclosure of Interests” section of this Annual Report. The connected persons of Champion REIT, include directors, senior executives, officers of Great Eagle and controlling entities, holding companies, subsidiaries or associated companies of Great Eagle are defined as the “Great Eagle Connected Persons”.

The following tables set forth information on connected party transactions between Champion REIT and the Great Eagle Connected Persons for the twelve months ended 31 December 2023 (the “Year”).

Connected Party Transactions — Revenue Transactions (Rental Income)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Artisan International Limited	Associate of Great Eagle	Leasing transaction ¹	826,000
Eagle Asset Management (CP) Ltd	Subsidiary of Great Eagle	Leasing transaction and car parking fee ²	663,000
Eagle Property Management (CP) Ltd	Subsidiary of Great Eagle	Leasing transaction ³	7,016,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Leasing transaction and car parking fee ⁴	7,028,000
Longworth Management Limited	Subsidiary of Great Eagle	Leasing transaction	9,000
Magic Energy Limited	Subsidiary of Great Eagle	Leasing transaction ⁵	8,560,000
Tonkichi (HK) Limited	Associate of Great Eagle	Leasing transaction ⁶	2,364,000
Total			26,466,000

Connected Party Transactions — Revenue Transactions (Building Management Fee Income)

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Income for the Year HK\$
Artisan International Limited	Associate of Great Eagle	Building management fee income ¹	162,000
Eagle Asset Management (CP) Ltd	Subsidiary of Great Eagle	Building management fee income ²	83,000
Eagle Property Management (CP) Ltd	Subsidiary of Great Eagle	Building management fee income ³	978,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Building management fee income ⁴	948,000
Magic Energy Limited	Subsidiary of Great Eagle	Building management fee income ⁵	1,370,000
Tonkichi (HK) Limited	Associate of Great Eagle	Building management fee income ⁶	391,000
Total			3,932,000

Connected Party Transactions — Expense Transactions

Name of Connected Party	Relationship with Champion REIT	Nature of Connected Transaction	Expenses for the Year HK\$
Best Come Limited	Subsidiary of Great Eagle	Estate management fee expenses ⁷	13,419,000
Cordis, Hong Kong	Subsidiary of Great Eagle	Sundry expenses	134,000
Cordis, Hong Kong	Subsidiary of Great Eagle	Marketing expenses	180,000
Eagle Property Management (CP) Ltd	Subsidiary of Great Eagle	Lease management service fee	69,736,000
Eagle Property Management (CP) Ltd	Subsidiary of Great Eagle	Marketing service fee	26,645,000
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Repairs and maintenance services	3,116,000
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Promotion expenses	4,000
Keysen Engineering Company, Limited	Subsidiary of Great Eagle	Improvement works	710,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Estate management fee expenses ⁸	137,119,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Building management fee expenses ⁹	161,289,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Reimbursement of carpark expenses ¹⁰	15,353,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Sundry expenses	2,000
Keysen Property Management Services Limited	Subsidiary of Great Eagle	Reimbursement of delegation of management functions of common areas/facilities	1,000
Longworth Management Limited	Subsidiary of Great Eagle	Building management fee expenses ¹¹	55,503,000
Selex Engineering Services Limited	Subsidiary of Great Eagle	Repairs and maintenance services	3,539,000
Selex Engineering Services Limited	Subsidiary of Great Eagle	Sundry expenses	16,000
Total			486,766,000

Connected Party Transactions Report

Notes:

1. A security deposit, by way of cash of approximately HK\$558,000 provided by Artisan International Limited, was 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\$2,076,000 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\$1,725,000 provided by Keysen Property Management Services Limited, was held by the Trust as at the Year-end date.
5. A security deposit, by way of corporate guarantee and cash to the amount of approximately HK\$1,282,000 and approximately HK\$1,342,000 respectively, provided by Magic Energy Limited, were held by the Trust as at the Year-end date.
6. A security deposit, by way of cash of approximately HK\$1,810,000 provided by Tonkichi (HK) Limited, was held by the Trust as at the Year-end date.
7. Best Come Limited has been appointed as manager to provide management services for certain areas and facilities of developments in which Champion REIT's properties are located. The amount represents the total of management fee of approximately HK\$578,000 and reimbursement of out of pocket expenses amounting to approximately HK\$12,841,000.
8. Out of this HK\$137,119,000 approximately HK\$134,011,000 represents the amount of reimbursement for estate management expenses paid out under the Langham Place Mall Estate Management Agreement. The remaining amount of approximately HK\$3,109,000 represents the amount of reimbursement for estate management expenses paid out under the CAF Management Agreement (in relation to the common areas/facilities and reserved areas of Langham Place). 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.
9. A management fee deposit and sinking fund of approximately HK\$820,000 and HK\$16,384,000 were kept by Keysen Property Management Services Limited in its capacity as DMC Manager of Langham Place and DMC Sub-manager of Three Garden Road as at the Year-end date respectively.
10. It 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.
11. A management fee deposit and sinking fund of approximately HK\$15,311,000 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.
12. The Langham Place Mall Estate Management Agreement has been renewed for a Year from 1 January 2023 to 31 December 2025.
13. The Property Management Agreement has been renewed for a period from 1 January 2023 to 31 December 2025.

14. 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 at the EGM:

	Annual limit for the year ended 31 December 2023 HK\$
I. Revenue	
Rental income	58,500,000
Building management fee	8,700,000
Total:	67,200,000
II. Expenditure	
Estate and building management transactions	541,900,000
Property management transactions	144,000,000
Total:	685,900,000

Other Connected Party Transactions with the Great Eagle Connected Persons

Eagle Asset Management (CP) Limited, a wholly-owned subsidiary of Great Eagle, was appointed as the REIT Manager of Champion REIT. During the Year, The REIT Manager's fee of approximately HK\$236,305,000, 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 accordance with the announcement of Champion REIT dated 30 November 2012, the REIT Manager notified the Trustee in writing to receive 50% of the REIT Manager's fee arising from the real estate owned by Champion REIT in the form of Units and the remaining 50% in cash. As the REIT Manager has not elected the payment method of Manager's fee for the Year, the most recent valid election by the REIT Manager on 30 November 2012 shall be applied to the financial year 2023 according to Clause 11.1.2 of the Trust Deed. For the Year, the REIT Manager's fee, paid and payable in the form of Units, is in the amount of approximately HK\$118,152,000 and the REIT Manager's fee, paid and payable in the form of cash, is in the amount of approximately HK\$118,153,000.

Connected Party Transactions with the Trustee and/or the Trustee Connected Persons Group

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

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	17,201,000
HSBC Group	Trustee Connected Persons	Loan interest/expense	145,830,000
HSBC Group	Trustee Connected Persons	Commitment fee and agency fee	3,678,000
HSBC Group	Trustee Connected Persons	Bank charges	372,000

Champion MTN Limited (a special purpose vehicle wholly-owned and controlled by Champion REIT) maintained currency swap contracts of a total notional amount of US\$386.4 million with HSBC Group. Such currency swap contracts expired on 17 January 2023.

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 2023, no amount was drawn and outstanding.

Hang Seng Bank Limited, a subsidiary of HSBC Group, 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 2023, 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 2023, a total of HK\$1,150 million was drawn and outstanding.

Connected Party Transactions — Others

During the Year, the trustee fee of approximately HK\$8,267,000 had been incurred for services rendered by HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of Champion REIT.

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 Group;
- (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.

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 2023, 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	4,166,747,905 ¹		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	9,011,000	4,179,350,912 ²	69.50
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730	13,424,730 ⁵	0.22
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	576,711,937	9.59

Substantial Unitholders

Name	Total Number of Units/ Underlying Units Held ⁸	Percentage of Issued Units ⁹
Great Eagle Holdings Limited ("Great Eagle")	4,163,489,295 ³	69.23
HSBC International Trustee Limited	4,149,877,795 ⁴	69.00
HKSCC Nominees Limited	2,325,407,301 ⁷	38.67
Top Domain International Limited	1,420,416,628	23.62
Keen Flow Investments Limited	1,071,375,933	17.82
Bright Form Investments Limited	680,232,558	11.31

Notes:

- Among these 4,166,747,905 Units:
 - 50,000 Units, 940,000 Units, 589,000 Units and 1,679,610 Units were respectively held by ACHL Limited, EBK Limited, KBLL Limited and NCN Limited, all of which are wholly-owned by Dr Lo Ka Shui who is also a director of these companies; and
 - 4,163,489,295 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 42,343,287 Units/underlying Units in aggregate as compared with the position as at 30 June 2023.
- The 4,163,489,295 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 2023 and 30 June 2023 respectively:

Name	Number of Units/ Underlying Units Held As at 31 December 2023	Number of Units/ Underlying Units Held As at 30 June 2023
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	576,711,937	553,659,650
Fine Noble Limited	200,007,503	200,007,503
The Great Eagle Company, Limited	150,303,993	129,962,993
Great Eagle Nichemusic Limited	61,345,743	61,345,743
Ecobest Ventures Limited	3,095,000	3,095,000

- The disclosure was based on the latest disclosure of interest form (with the date of relevant event as at 14 September 2023) received from HSBC International Trustee Limited ("HITL").

As at 31 December 2023, 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 34.06% interests in Great Eagle. Dr Lo Ka Shui (a director of the REIT Manager) is the discretionary beneficiary of the discretionary trust. As at 31 December 2023, Dr Lo Ka Shui in his personal capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 30.32% voting right in the capital of Great Eagle.

Disclosure of Interests

5. The unitholding of Mr Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 30 June 2023.
6. The unitholding of Ms Wong Mei Ling, Marina remained unchanged as compared with the position as at 30 June 2023.
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 1,529,261 Units when compared with the position as at 30 June 2023.
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 6,013,734,531 as at 31 December 2023.

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 2023 which were required to be notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were required to be recorded in the register kept under Schedule 3 of the Trust Deed.

Holdings of Other Connected Persons

As at 31 December 2023, 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 persons (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	1,171,108 ¹	0.02

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 was increased by 10,000 Units when compared with the position as at 30 June 2023.
2. This percentage is based on the total number of issued Units of Champion REIT of 6,013,734,531 as at 31 December 2023.

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 2023.

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 2023, Great Eagle owned 4,163,489,295 Units and/or underlying Units (69.23%) in Champion REIT and 2,330,678,928 share stapled units (70.23%) 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 2023 are disclosed as follows:

Great Eagle

Name of Directors and/or 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	61,522,835	3,390,000	481,392,268
		Interests of Controlled Corporations	95,948,364		
	Founder of a Discretionary Trust	65,866,676			
	Discretionary Beneficiary of a Discretionary Trust	254,664,393			
Ip Yuk Keung, Albert	Beneficial Owner	Personal Interests	60,000	–	60,000
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	27,844	347,000	374,844
Hau Shun, Christina	Beneficial Owner	Personal Interests	–	101,000	101,000

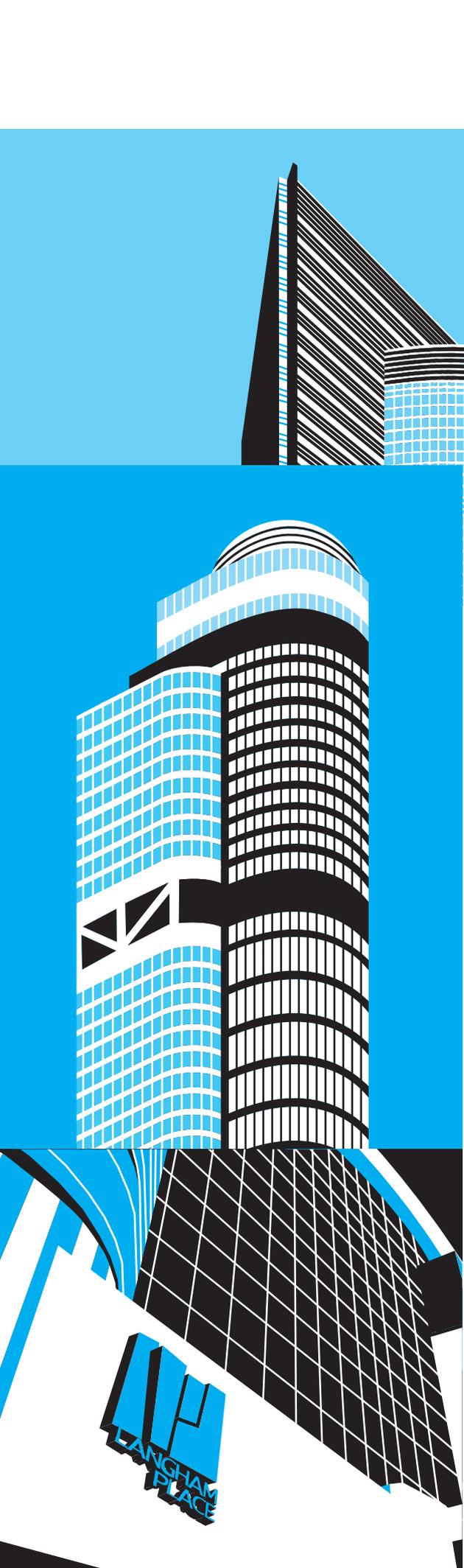
Disclosure of Interests

Langham

Name of Directors and/or Chief Executive of the REIT Manager	Capacity	Nature of Interests	Number of Share Stapled Units/ Underlying Share Stapled Units Held	Total Number of Share Stapled Units/ Underlying Share Stapled Units Held
Lo Ka Shui	Beneficial Owner	Personal Interests	31,584,000	
	Interests of Controlled Corporations	Corporate Interests	2,333,768,928 ²	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	90,010,250	2,455,363,178
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 2,333,768,928 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) 2,330,678,928 share stapled units of Langham held by Great Eagle as at 31 December 2023 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.



THREE GARDEN ROAD CENTRAL

Financials

- 120** Independent Auditor's Report
- 125** Consolidated Income Statement
- 126** Consolidated Statement of Comprehensive Income
- 127** Consolidated Statement of Financial Position
- 128** Consolidated Statement of Changes in Net Assets Attributable to Unitholders
- 129** Distribution Statement
- 130** Consolidated Statement of Cash Flows
- 131** Notes to the Consolidated Financial Statements
- 187** Major Real Estate Agents and Contractors
- 188** Performance Table

Independent Auditor's Report

Deloitte.

德勤

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 125 to 186, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2023 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 ("HKSAs") 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\$62,949,800,000, representing 98% 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\$641,377,000.

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; and
- 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.

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 the 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 HKSAAs 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 HKSAAs, 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 Lee Po Chi.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 February 2024

Consolidated Income Statement

For the year ended 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Rental income	6	2,279,373	2,329,642
Building management fee income		263,665	266,372
Rental related income	7	32,616	29,297
Total revenue		2,575,654	2,625,311
Property operating expenses	8	(629,933)	(594,717)
Net property income		1,945,721	2,030,594
Other income	9	51,335	26,410
Manager's fee	10	(236,305)	(246,414)
Trust and other expenses		(21,555)	(26,823)
Decrease in fair value of investment properties	15	(641,377)	(1,749,233)
Fair value changes on financial assets at fair value through profit or loss		–	(20,146)
Allowance for credit losses on notes receivables and interest receivables	16, 19	–	(48,240)
Finance costs	11	(619,418)	(447,522)
Share of results of a joint venture		(69,352)	(42,508)
Profit (loss) before tax and distribution to unitholders	12	409,049	(523,882)
Income taxes	13	(188,433)	(225,442)
Profit (loss) for the year, before distribution to unitholders		220,616	(749,324)
Distribution to unitholders		(1,011,968)	(1,168,444)
Loss for the year, after distribution to unitholders		(791,352)	(1,917,768)
Basic earnings (loss) per unit	14	HK\$0.04	HK\$(0.13)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

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

Consolidated Statement of Financial Position

As at 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000 (Restated)
Non-current assets			
Investment properties	15	62,949,800	63,555,000
Notes receivables	16	46,114	99,984
Interests in a joint venture	17	189,028	238,974
Equity instruments at fair value through other comprehensive income	18	–	152,819
Derivative financial instruments	22	–	111,589
Total non-current assets		63,184,942	64,158,366
Current assets			
Trade and other receivables	19	192,430	233,121
Notes receivables	16	53,774	84,270
Tax recoverable		8,531	2,082
Derivative financial instruments	22	45,895	16,109
Short-term bank deposits	20	82,196	66,380
Bank balances and cash	20	898,386	668,551
Total current assets		1,281,212	1,070,513
Total assets		64,466,154	65,228,879
Current liabilities			
Trade and other payables	21	1,415,492	1,422,512
Deposits received		651,242	654,575
Tax liabilities		133,743	85,858
Distribution payable		454,408	534,883
Bank borrowings	23	4,958,536	699,324
Medium term notes	24	199,985	3,017,389
Total current liabilities		7,813,406	6,414,541
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	22	107,931	38,122
Bank borrowings	23	5,537,000	6,795,524
Medium term notes	24	3,813,632	4,006,947
Deferred tax liabilities	25	778,987	745,978
Total non-current liabilities, excluding net assets attributable to unitholders		10,237,550	11,586,571
Total liabilities, excluding net assets attributable to unitholders		18,050,956	18,001,112
Net assets attributable to unitholders		46,415,198	47,227,767
Number of units in issue ('000)	26	6,013,735	5,973,676
Net asset value per unit	28	HK\$7.72	HK\$7.91

The consolidated financial statements on pages 125 to 186 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 2024 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 2023

	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 2022	24,846,924	(39,844)	82,530	(341)	5,757,943	18,315,407	48,962,619
Loss for the year, after distribution to unitholders	-	-	-	-	-	(1,917,768)	(1,917,768)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(42,723)	-	-	-	(42,723)
Cash flow hedges, net of related income tax	-	93,101	-	-	-	-	93,101
Exchange differences arising on translation of foreign operations	-	-	-	4,784	-	-	4,784
Total comprehensive income (expense) for the year	-	93,101	(42,723)	4,784	-	(1,917,768)	(1,862,606)
Issue of units	127,754	-	-	-	-	-	127,754
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	-	-	(2,441)	-	-	2,441	-
Net assets attributable to unitholders as at 31 December 2022	24,974,678	53,257	37,366	4,443	5,757,943	16,400,080	47,227,767
Loss for the year, after distribution to unitholders	-	-	-	-	-	(791,352)	(791,352)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(34,706)	-	-	-	(34,706)
Cash flow hedges, net of related income tax	-	(118,180)	-	-	-	-	(118,180)
Exchange differences arising on translation of foreign operations	-	-	-	11,426	-	-	11,426
Total comprehensive (expense) income for the year	-	(118,180)	(34,706)	11,426	-	(791,352)	(932,812)
Issue of units	120,243	-	-	-	-	-	120,243
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	-	-	(2,660)	-	-	2,660	-
Net assets attributable to unitholders as at 31 December 2023	25,094,921	(64,923)	-	15,869	5,757,943	15,611,388	46,415,198

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 2023

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

Notes:

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

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

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES		
Profit (loss) before tax and distribution to unitholders	409,049	(523,882)
Adjustments for:		
Allowance for credit losses on trade receivables	1,160	5,593
Allowance for credit losses on notes receivables and interest receivables	–	48,240
Decrease in fair value of investment properties	641,377	1,749,233
Manager's fee paid and payable in units	118,152	123,207
Share of results of a joint venture	69,352	42,508
Fair value changes on financial assets at fair value through profit or loss	–	20,146
Other income	(51,335)	(26,410)
Finance costs	619,418	447,522
Exchange difference	4,717	9,447
Operating cash flow before movements in working capital	1,811,890	1,895,604
Decrease in trade and other receivables	38,916	41,439
Increase (decrease) in trade and other payables	36,042	(79,672)
Decrease in deposits received	(3,333)	(73,580)
Cash generated from operations	1,883,515	1,783,791
Interest paid	(613,236)	(416,634)
Hong Kong Profits Tax paid	(103,528)	(100,448)
NET CASH FROM OPERATING ACTIVITIES	1,166,751	1,266,709
INVESTING ACTIVITIES		
Interest received	43,783	23,827
Dividend received	4,301	3,963
Additions to investment properties	(36,177)	(8,233)
Additions to notes receivables	–	(79,072)
Advance to a joint venture	(7,432)	–
Redemption of notes receivables	88,524	9,419
Net proceeds from disposal of notes receivables	–	14,972
Additions of equity instruments at fair value through other comprehensive income	–	(66,031)
Net proceeds from disposal of equity instruments at fair value through other comprehensive income	118,113	7,303
Additions of financial assets at fair value through profit or loss	–	(418,776)
Proceeds from financial assets at fair value through profit or loss	–	398,630
Placement of short-term bank deposit with original maturity over three months	(82,196)	(66,380)
Release of short-term bank deposit with original maturity over three months	66,380	–
NET CASH FROM (USED IN) FROM INVESTING ACTIVITIES	195,296	(180,378)
FINANCING ACTIVITIES		
Distribution paid	(1,092,441)	(1,275,762)
Repayment of bank loan	(2,718,550)	(319,243)
New bank loan raised	5,718,550	200,000
Bank origination fees paid	(22,180)	(8,500)
Redemption of medium term notes	(3,017,591)	(643,000)
NET CASH USED IN FINANCING ACTIVITIES	(1,132,212)	(2,046,505)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	229,835	(960,174)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	668,551	1,628,725
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	898,386	668,551

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. General Information

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

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

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

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

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” 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.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

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

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

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

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on early application of the 2020 Amendments and the 2022 Amendments (Continued)

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

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

Impact on the consolidated statement of financial position

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on early application of the 2020 Amendments and the 2022 Amendments (Continued)

Impact on the consolidated statement of financial position (Continued)

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

Amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

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 are 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.

3.2 Material accounting policy information

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;
- 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 2023, the Group's current liabilities exceeded its current assets by HK\$6,532,194,000 (2022 (restated): HK\$5,344,028,000). The Manager is of the opinion that, taking into account of the expectation of refinancing the existing unsecured term loans which are due within one year, presently available banking facilities and internal financial resources, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (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.

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 "Leases" ("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.

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.

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as lessor (Continued)

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 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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.

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.

Building management service income is recognised over the service period. The Group receives monthly building management service payments from customers one month in advance under the contracts. Further details of the revenue recognition are set out in note 5.

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.

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 included under other income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (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.

(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.

Impairment of financial assets and deferred lease receivables 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 (included deferred lease receivables), notes receivables, amount due from a joint venture, short-term bank deposits 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 and deferred lease 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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and deferred lease receivables subject to impairment assessment under HKFRS 9 (Continued)

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and deferred lease receivables subject to impairment assessment under HKFRS 9 (Continued)

(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;
- 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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

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.

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.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates derivatives as hedging instruments for 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.

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 Material Accounting Policy Information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Hedge accounting *(Continued)*

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.

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. 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.

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.

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.

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 2023

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

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.

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 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.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss/profit 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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation (Continued)

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, 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 liabilities 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.

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.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

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 prior year in view of the uncertainty in the collection of the contractual cash flow in the future. The information about the Group's notes receivables and the ECL 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 2023

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Revenue	1,360,245	399,538	815,871	2,575,654
Segment results – Net property income	1,082,302	303,926	559,493	1,945,721
Other income				51,335
Manager's fee				(236,305)
Trust and other expenses				(21,555)
Decrease in fair value of investment properties				(641,377)
Finance costs				(619,418)
Share of results of a joint venture				(69,352)
Profit before tax and distribution to unitholders				409,049
Income taxes				(188,433)
Profit for the year, before distribution to unitholders				220,616
Distribution to unitholders				(1,011,968)
Loss for the year, after distribution to unitholders				(791,352)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
(Decrease) increase in fair value of investment properties	(867,580)	(95,000)	321,203	(641,377)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. Segment Information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2022

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

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 2023

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Building management fee income	138,023	49,778	75,864	263,665
Rental related income	13,442	664	51,027	65,133
Revenue from contracts with customers	151,465	50,442	126,891	328,798
Rental income and rental related income	1,208,780	349,096	688,980	2,246,856
	1,360,245	399,538	815,871	2,575,654

5. Segment Information (Continued)

Other segment information (Continued) For the year ended 31 December 2022

	Three Garden Road HK\$'000	Langham Place Office Tower HK\$'000	Langham Place Mall HK\$'000	Consolidated HK\$'000
Building management fee income	144,026	49,685	72,661	266,372
Rental related income	9,430	1,556	43,722	54,708
Revenue from contracts with customers	153,456	51,241	116,383	321,080
Rental income and rental related income	1,336,572	361,735	605,924	2,304,231
	1,490,028	412,976	722,307	2,625,311

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.

Total revenue arising from leases for the year ended 31 December 2023 includes variable lease payments that do not depend on an index or a rate of HK\$225,330,000 (2022: HK\$117,397,000), 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 2023				
Additions to non-current assets	30,380	–	5,797	36,177
For the year ended 31 December 2022				
Additions to non-current assets	3,005	–	5,228	8,233

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2023, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK\$38,104,800,000 (2022: HK\$38,942,000,000), HK\$8,719,000,000 (2022: HK\$8,814,000,000) and HK\$16,126,000,000 (2022: HK\$15,799,000,000), respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. Segment Information (Continued)

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 interests in a joint venture) are all located in Hong Kong.

Information about major tenants

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

6. Rental Income

	2023 HK\$'000	2022 HK\$'000
Property rental income	2,229,232	2,286,044
Carpark income	50,141	43,598
	2,279,373	2,329,642

7. Rental Related Income

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

8. Property Operating Expenses

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

9. Other Income

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

10. Manager's Fee

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11. Finance Costs

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

12. Profit (Loss) Before Tax and Distribution to Unitholders

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

13. Income Taxes

	2023 HK\$'000	2022 HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	146,024	191,882
– Overprovision in prior years	(1,060)	(870)
	144,964	191,012
Deferred tax (note 25)		
– Current year	43,469	34,430
	188,433	225,442

13. Income Taxes (Continued)

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 profit (loss) before tax and distribution to unitholders as follows:

	2023 HK\$'000	2022 HK\$'000
Profit (loss) before tax and distribution to unitholders	409,049	(523,882)
Tax at the domestic income tax rate of 16.5%	67,493	(86,441)
Tax effect of income not taxable for tax purpose	(10,694)	(12,010)
Tax effect of expenses not deductible for tax purpose	121,251	317,749
Tax effect of share of results of a joint venture	11,443	7,014
Overprovision in prior years	(1,060)	(870)
Income taxes for the year	188,433	225,442

14. Basic Earnings (Loss) Per Unit

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

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

15. Investment Properties

	2023 HK\$'000	2022 HK\$'000
FAIR VALUE		
At the beginning of the year	63,555,000	65,296,000
Additions during the year	36,177	8,233
Decrease in fair value	(641,377)	(1,749,233)
At the end of the year	62,949,800	63,555,000

The fair value of the Group's investment properties at 31 December 2023 and 31 December 2022 has been arrived at on the basis of valuation carried out by Cushman & Wakefield Limited, independent qualified professional valuers not connected to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15. Investment Properties (Continued)

The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

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

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.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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 2023 and 2022					
Three Garden Road	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 3.7% for office and 4.35% for retail (2022: 3.7% for office and 4.35% for retail).	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\$4,509 million (capitalisation rate of 4.2% for office and 4.85% for retail) and increase by approximately HK\$5,911 million (capitalisation rate of 3.2% for office and 3.85% for retail) respectively (2022: decrease by approximately HK\$4,591 million (capitalisation rate of 4.2% for office and 4.85% for retail) and increase by approximately HK\$6,018 million (capitalisation rate of 3.2% for office and 3.85% for retail) respectively).

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 2023 and 2022 (Continued)					
			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\$1,813 million and decrease by approximately HK\$1,814 million, respectively (2022: increase by approximately HK\$1,838 million and decrease by approximately HK\$1,841 million, respectively).
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 (2022: 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\$2,710 million (capitalisation rate of 4.5% for retail and 4.6% for office) and increase by approximately HK\$3,480 million (capitalisation rate of 3.5% for retail and 3.6% for office) respectively (2022: decrease by approximately HK\$2,698 million (capitalisation rate of 4.5% for retail and 4.6% for office) and increase by approximately HK\$3,463 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\$1,173 million and decrease by approximately HK\$1,171 million, respectively (2022: increase by approximately HK\$1,178 million and decrease by approximately HK\$1,172 million, respectively).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. Notes Receivables

	2023 HK\$'000	2022 HK\$'000
Notes receivables	220,095	304,426
Less: Allowance for credit losses	(120,207)	(120,172)
	99,888	184,254
Analysed for reporting purpose:		
Shown under non-current assets	46,114	99,984
Shown under current assets	53,774	84,270
	99,888	184,254

As at 31 December 2023, the Group held unsecured bonds with aggregate carrying amounts of HK\$99,888,000 (2022: HK\$184,254,000), which are denominated in United States dollar ("US\$") with nominal values ranging from US\$1,000,000 to US\$6,860,000 (2022: US\$1,000,000 to US\$6,860,000). The unsecured bonds bear interest at fixed interest rates ranging from 1.500% to 4.875% (2022: 1.500% to 5.750%) per annum and have maturity dates ranging from May 2024 to May 2026 (2022: March 2023 to May 2026).

Included in the carrying amount of notes receivables as at 31 December 2023 is accumulated allowance for credit losses of HK\$120,207,000 (2022: HK\$120,172,000). During the year ended 31 December 2022, the Group recognised HK\$46,182,000 allowance for credit losses on notes receivables. Details of impairment assessment of notes receivables are set out in note 34.

17. Interests in a Joint Venture

	2023 HK\$'000	2022 HK\$'000
Cost of investments in a joint venture (note 1)	282,818	209,588
Share of post-acquisition results and other comprehensive income	(93,790)	(21,768)
	189,028	187,820
Amount due from a joint venture (note 2)	–	51,154
	189,028	238,974

Notes:

1. Included an amount due from a joint venture of HK\$282,818,000 (2022: HK\$209,588,000) which is in substance form part of the Group's net investment in the joint venture. The amount is unsecured and non-interest bearing.
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. During the year ended 31 December 2023, the amount became non-interest bearing and was included as cost of investments in a joint venture.

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).

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

Name of joint venture	Form of business structure	Place of registration	Paid up registered capital	Effective interest held by the Group		Principal activity
				As at 31 December 2023	As at 31 December 2022	
Athene Investment	Equity	British Virgin Islands	US\$100	27%	27%	Investment holding of a subsidiary which is engaged in property investment

The Group's interest in a joint venture amounting to HK\$189,028,000 (2022: HK\$187,820,000) as at 31 December 2023 are accounted for using the equity method in the consolidated financial statements.

The summarised financial information in respect of Athene Investment at 31 December 2023 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

	2023 HK\$'000	2022 HK\$'000
Current assets	124,615	76,525
Non-current assets	2,070,280	2,279,863
Current liabilities	1,479,889	287,236
Non-current liabilities	14,903	1,373,524
The above amounts of assets and liabilities include the following:		
Investment properties	1,818,403	1,972,960
Cash and cash equivalents	74,896	66,162
Current financial liabilities (excluding trade and other payable and provisions)	1,442,388	195,408
Non-current financial liabilities (excluding trade and other payable and provisions)	14,903	1,373,524

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. Interests in a Joint Venture (Continued)

	2023 HK\$'000	2022 HK\$'000
Net property income	86,994	84,655
Loss for the year	(256,858)	(157,436)
Total comprehensive expense for the year	(256,858)	(157,436)
The above loss for the year includes the following:		
Interest income (expense), after accounting for interest rate swaps	4,313	(40,574)
Income tax expense	(6,792)	(45,909)

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

	2023 HK\$'000	2022 HK\$'000
Net assets of Athene Investment	700,103	695,628
Proportion of the Group's ownership interest in Athene Investment	27%	27%
Carrying amount of the Group's interest in Athene Investment	189,028	187,820

18. Equity Instruments at Fair Value Through Other Comprehensive Income

As at 31 December 2022, the Group had listed equity securities listed in Hong Kong with a carrying HK\$152,819,000. The listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active market. The Group have disposed all the listed securities during the year.

19. Trade and Other Receivables

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

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:

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

At the reporting date, the Group has not provided any allowance for trade receivables of HK\$31,382,000 (2022: HK\$53,976,000) 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.

As at 31 December 2023, debtors with aggregate carrying amount of HK\$7,342,000 (2022: HK\$18,879,000), included in the Group's trade receivable balance were under deferring lease payment arrangements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

20. Short-Term Bank Deposits and Bank Balances and Cash

	2023 HK\$'000	2022 HK\$'000
Short-term bank deposits with original maturity of more than three months	82,196	66,380
Bank balances and cash	79,779	128,503
Short-term bank deposits with original maturity of less than three months	818,607	540,048
Bank balances and cash	898,386	668,551
	980,582	734,931

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

	2023 HK\$'000	2022 HK\$'000
HK dollar	758,924	617,013
US dollar	219,720	117,682
GBP	1,938	236
	980,582	734,931

Cash at banks carry interest at prevailing market rates. Short-term bank deposit with original maturity of less than three months carry interest at a market rate ranging from 5.30% to 5.99% (2022: 3.83% to 5.28%) per annum. Short-term bank deposit with original maturity of more than three months carry interest at a market rate ranging from 5.41% to 5.79% (2022: 5.42% to 5.66%) per annum.

21. Trade and Other Payables

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

Notes:

- (i) As at 31 December 2023, manager's fee payable of HK\$115,511,000 (2022: HK\$119,693,000) is included in other payables and accruals.
- (ii) The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2022: 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.

21. Trade and Other Payables (Continued)

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

	2023 HK\$'000	2022 HK\$'000
0 – 3 months	136,695	151,720

22. Derivative Financial Instruments

	2023 HK\$'000	2022 HK\$'000
Derivative as assets		
Designated as cash flow hedge		
– interest rate swaps (note i)	45,895	111,038
– cross currency swaps (note ii)	–	16,660
	45,895	127,698
Analysed for reporting purpose:		
Shown under current assets	45,895	16,109
Shown under non-current assets	–	111,589
	45,895	127,698
Derivative as liabilities		
Designated as cash flow hedge		
– interest rate swaps (note i)	23,183	24,937
– cross currency swaps (note ii)	84,748	13,185
	107,931	38,122
Analysed for reporting purpose:		
Shown under current liabilities	–	–
Shown under non-current liabilities	107,931	38,122
	107,931	38,122

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. Derivative Financial Instruments (Continued)

Notes:

(i) Interest rate swaps

As at 31 December 2023 and 2022, 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 Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.88% to 0.95% (2022: HIBOR plus 0.88% to 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.

	2023	2022
Carrying amount – assets (HK\$'000)	22,712	86,101
Notional amount (HK\$'000)	3,900,000	3,900,000
Maturity date	28 June 2024 to 29 June 2026	28 June 2024 to 29 June 2026
Change in fair value of outstanding instruments during the year (HK\$'000)	21,503	116,974
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	(21,503)	(116,974)
Weighted average swap rate per annum (before interest margin)	2.07%	2.07%

(ii) Cross currency swaps

As at 31 December 2023 and 2022, 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.

	2023	2022
Carrying amount – (liabilities)/assets (HK\$'000)	(84,748)	3,475
Notional amount (US\$'000)	300,000	639,400
Maturity date	15 June 2030	17 January 2023 to 15 June 2030
Change in fair value of hedging instruments during the year (HK\$'000)	(85,534)	(9,547)
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	85,534	9,547
Weighted average exchange rate (US\$: HK\$)	7.8176	7.7829

(iii) Hedging reserve

	Interest rate swaps HK\$'000	Cross currency swaps HK\$'000	Total hedging reserves HK\$'000
At as 1 January 2022	(30,127)	(9,717)	(39,844)
Fair value adjustments on interest rate swaps and cross currency swaps designated at cash flow hedge	116,974	(9,547)	107,427
Reclassification of fair value adjustment to profit or loss	(1,211)	1,092	(119)
Deferred tax related to fair value adjustments recognised in other comprehensive income	(14,207)	–	(14,207)
As at 31 December 2022	71,429	(18,172)	53,257
Fair value adjustments on interest rate swaps and cross currency swaps designated at cash flow hedge	21,503	(85,534)	(64,031)
Reclassification of fair value adjustment to profit or loss	(85,453)	20,844	(64,609)
Deferred tax related to fair value adjustments recognised in other comprehensive income	10,460	–	10,460
As at 31 December 2023	17,939	(82,862)	(64,923)

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

	2023 HK\$'000	2022 HK\$'000 (Restated)
Unsecured term loan	8,542,635	6,292,635
Unsecured revolving loan	2,000,000	1,250,000
	10,542,635	7,542,635
Less: Unamortised front-end fees	(47,099)	(47,787)
	10,495,536	7,494,848
The maturity of bank borrowings is as follows:		
Shown under current liabilities:		
Within 1 year	4,958,536	699,324
Shown under non-current liabilities:		
After 1 year but within 2 years	425,926	5,148,166
After 2 years but within 5 years	5,111,074	1,647,358
	5,537,000	6,795,524
	10,495,536	7,494,848

As at 31 December 2023, total committed loan facilities amounted to HK\$14,400,000,000 (2022: HK\$13,400,000,000), out of which HK\$10,542,635,000 (2022: HK\$7,542,635,000) were drawn and outstanding. All bank borrowings are unsecured and denominated in Hong Kong dollars and bear interest at a floating rate of HIBOR plus margins ranging from 0.85% to 0.95% per annum (2022: 0.83% to 0.95% per annum). The Group also entered into interest rate swaps, details of which are set out in note 22.

Champion REIT has provided guarantees for all the facilities.

As at 31 December 2023, unsecured revolving loan of HK\$1,972,428,000 (2022 (restated): HK\$526,934,000) was classified as non-current liabilities. The related revolving loan facilities are to be due after one year from the end of the reporting period. The Group have to comply with the further conditions precedent as stipulated in the respective loan agreements upon each utilisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

24. Medium Term Notes

	2023 HK\$'000	2022 HK\$'000
Medium term notes	4,043,540	7,060,441
Origination fees	(29,923)	(36,105)
	4,013,617	7,024,336
The maturity of medium term notes is as follows:		
Shown under current liabilities:		
Within 1 year	199,985	3,017,389
Shown under non-current liabilities:		
After 1 year but within 2 years	1,221,110	199,965
After 2 years but within 5 years	274,838	1,218,735
After 5 years	2,317,684	2,588,247
	3,813,632	4,006,947
	4,013,617	7,024,336

Champion REIT has provided guarantees for all the issued medium term notes. The major terms of the issued medium term notes are set out below:

As at 31 December 2023

Principal amount	Coupon rate (per annum)
US\$300,000,000	2.95%
HK\$1,700,000,000	Fixed rates ranging from 2.75% to 4.00%

As at 31 December 2022

Principal amount	Coupon rate (per annum)
US\$686,400,000	2.95% to 3.75%
HK\$1,700,000,000	Fixed rates ranging from 2.75% to 4.00%

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

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	Hedging instrument HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2022	699,193	–	(1,852)	697,341
Charge (credit) to consolidated income statement during the year	38,469	–	(4,039)	34,430
Charge to consolidated statement of comprehensive income during the year	–	14,207	–	14,207
As at 31 December 2022	737,662	14,207	(5,891)	745,978
Charge to consolidated income statement during the year	39,345	–	4,124	43,469
Credit to consolidated statement of comprehensive income during the year	–	(10,460)	–	(10,460)
As at 31 December 2023	777,007	3,747	(1,767)	778,987

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 2023, the Group has unutilised tax losses amounting to HK\$485,965,000 (2022: HK\$510,954,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$10,712,000 (2022: HK\$35,701,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$475,253,000 (2022: HK\$475,253,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

26. Issued Units

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023				
13 March 2023	1.7.2022 to 31.12.2022	3.519	17,006,654	59,846
5 September 2023	1.1.2023 to 30.6.2023	2.620	23,052,287	60,397
			40,058,941	120,243
In 2022				
8 March 2022	1.7.2021 to 31.12.2021	3.582	17,976,943	64,393
5 September 2022	1.1.2022 to 30.6.2022	3.403	18,619,049	63,361
			36,595,992	127,754

27. Major Non Cash Transactions

During the year ended 31 December 2023, 40,058,941 (2022: 36,595,992) units were issued as payment for the Manager's fee amounted to HK\$120,243,000 (2022: HK\$127,754,000).

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

29. Net Current Liabilities

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

30. Total Assets Less Current Liabilities

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

31. Operating Lease Commitments

At 31 December 2023 and 2022, undiscounted lease payments receivable on leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	1,757,346	1,716,790
In the second year	1,157,777	1,082,433
In the third year	358,159	508,193
In the fourth year	59,949	113,635
In the fifth year	18,707	3,765
Over five years	5,267	–
	3,357,205	3,424,816

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\$225,330,000 (2022: HK\$117,397,000) 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

As at 31 December 2023, the Group had capital commitments for upgrading investment properties which were contracted but not provided for of approximately HK\$11,330,000 (2022: HK\$46,274,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. Connected and Related Party Transactions

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

	Notes	2023 HK\$'000	2022 HK\$'000
<i>Rental income</i>			
Artisan International Limited	(a) & (b)	797	465
Best Come Limited	(a) & (b)	–	30,410
Eagle Asset Management (CP) Limited	(a) & (b)	663	663
Eagle Property Management (CP) Limited	(a) & (b)	6,991	7,003
Keyesen Property Management Services Limited	(a) & (b)	6,861	7,103
Magic Energy Limited	(a) & (b)	8,560	4,304
Tonkichi (HK) Limited	(a) & (b)	2,305	–
<i>Interest income</i>			
HSBC Group ^{1,3}	(c)	17,201	1,190
<i>Building management fee income</i>			
Artisan International Limited	(a) & (b)	162	91
Best Come Limited	(a) & (b)	–	3,565
Eagle Asset Management (CP) Limited	(a) & (b)	83	83
Eagle Property Management (CP) Limited	(a) & (b)	978	956
Keyesen Property Management Services Limited	(a) & (b)	948	928
Magic Energy Limited	(a) & (b)	1,370	661
Tonkichi (HK) Limited	(a) & (b)	391	–
<i>Rental related income</i>			
Artisan International Limited	(a) & (b)	29	16
Eagle Property Management (CP) Limited	(a) & (b)	25	–
Keyesen Property Management Services Limited	(a) & (b)	167	133
Longworth Management Limited	(a) & (b)	9	–
Tonkichi (HK) Limited	(a) & (b)	59	–
<i>Building management expenses and car park operating expenses</i>			
Keyesen Property Management Services Limited	(a) & (d)	298,409	315,206
Longworth Management Limited	(a) & (d)	55,503	53,286
<i>Other operating expenses</i>			
Best Come Limited	(a) & (d)	13,419	2,170
Longworth Management Limited	(a) & (d)	–	406
Keyesen Property Management Services Limited	(a) & (d)	–	39
<i>Property and lease management service fee</i>			
Eagle Property Management (CP) Limited	(a) & (e)	69,736	71,886
<i>Marketing service fee (included under rental commission)</i>			
Eagle Property Management (CP) Limited	(a) & (f)	26,645	15,075

33. Connected and Related Party Transactions (Continued)

	Notes	2023 HK\$'000	2022 HK\$'000
<i>Repairs and maintenance and improvement works contracted to</i>			
Keyesen Engineering Company, Limited	(a) & (g)	3,826	2,256
Keyesen Property Management Services Limited	(a) & (g)	–	2
Selex Engineering Services Limited	(a) & (g)	3,539	1,398
Toptech Co. Limited	(a) & (g)	–	1,190
<i>Repairs and maintenance fee</i>			
Keyesen Engineering Company, Limited	(a) & (g)	4,167	3,019
Keyesen Property Management Service Limited	(a) & (g)	–	2
Selex Engineering Services Limited	(a) & (g)	1,286	1,624
Toptech Co. Limited	(a) & (g)	169	122
<i>Promotion expenses</i>			
Keyesen Engineering Company, Limited	(a) & (g)	4	–
Cordis, Hong Kong	(a) & (g)	180	–
<i>Property miscellaneous expenses</i>			
Cordis, Hong Kong	(a) & (g)	134	–
GE (LHIL) Lessee Limited	(a) & (g)	–	180
Keyesen Engineering Company, Limited	(a) & (g)	–	25
Keyesen Property Management Services Limited	(a) & (g)	2	–
Selex Engineering Services Limited	(a) & (g)	16	–
<i>Trustee's fee and other expenses</i>			
HSBC Institutional Trust Services (Asia) Limited ³	(c)	8,267	8,459
HSBC Group ^{1,3}	(c)	372	347
<i>Manager's fee</i>			
Eagle Asset Management (CP) Limited	(a) & (h)	236,305	246,414
<i>Finance costs</i>			
HSBC Group ^{1,3}	(c) & (i)	151,539	50,822

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. Connected and Related Party Transactions (Continued)

Balances with connected and related parties are as follows:

	Notes	2023 HK\$'000	2022 HK\$'000
<i>Amount due from (included in trade and other receivables)</i>			
Keyesen Engineering Company, Limited	(a) & (j)	266	–
Keyesen Property Management Services Limited	(a) & (j)	28,071	40,970
Longworth Management Limited	(a) & (j)	15,311	15,311
Toptech Co., Limited	(a) & (j)	1,246	1,130
<i>Amount due to (included in trade and other payables)</i>			
Best Come Limited	(a) & (j)	4,206	2,345
Eagle Asset Management (CP) Limited	(a) & (j)	115,511	119,702
Eagle Property Management (CP) Limited	(a) & (j)	14,101	27,639
Selex Engineering Services Limited	(a) & (j)	2,519	1,045
Keyesen Property Management Services Limited	(a) & (j)	5,658	60,732
Longworth Management Limited	(a) & (j)	–	8,881
Keyesen Engineering Company, Limited	(a) & (j)	2,365	1,617
Toptech Co., Limited	(a) & (j)	1,274	–
<i>Deposits placed with the Group for the lease of the Group's properties</i>			
Artisan International Limited	(a)	578	558
Eagle Asset Management (CP) Limited	(a)	119	119
Eagle Property Management (CP) Limited	(a) & (k)	998	997
Keyesen Property Management Services Limited	(a)	1,725	1,725
Magic Energy Limited	(a)	1,342	1,342
Tonkichi (HK) Limited	(a)	1,811	–

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 or associates directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.
- (b) Rental income, building management fee income and rental related income are based on the prevailing market rates.
- (c) These companies are the Trustee or associates² of the Trustee.
- (d) Building management expenses, carpark operating expenses and other operating expenses are based on the relevant agreements which are conducted at normal commercial terms.
- (e) Under the property management agreement dated 26 April 2006 between the REIT Manager and Eagle Property Management (CP) Limited (the "Property Manager"), the Property Manager will receive from each of the property holding subsidiaries a fee of 3% per annum of gross property revenue for the provision of property and lease management services. Gross property revenue means the amount equivalent to the gross revenue less charge-out collections.

33. Connected and Related Party Transactions (Continued)

Notes: (Continued)

- (f) For the marketing services, the property holding subsidiaries will pay the Property Manager the following commissions:
 - one month's base rent for securing a tenancy of three years or more;
 - one-half month's base rent for securing a tenancy of less than three years;
 - one-half month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and
 - 10% of the total licence fee for securing a licence for duration of less than 12 months.
- (g) Repairs and maintenance and improvement works contracted to connected parties, promotion expenses and property miscellaneous expenses are conducted based on normal commercial terms. Repairs and maintenance fee are charged to income statement after setting off with forbearance fee (if any) received from tenants.
- (h) 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 (including the share of net property income arising from the property held by a joint venture) for each of the six months period ended 30 June 2023 and 31 December 2023.
- (i) Interest expense is calculated at prevailing market rates on outstanding loans amount.
- (j) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.
- (k) A bank guarantee of HK\$1,078,000 (2022: HK\$1,078,000) was received in lieu of deposit.

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 2023

34. Financial Instruments

(a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Interest rate swaps	45,895	111,038
Cross currency swaps	–	16,660
	45,895	127,698
<i>Financial assets at amortised costs</i>		
Notes receivables	99,888	184,254
Trade and other receivables	37,894	61,345
Amount due from a joint venture	–	51,154
Short-term bank deposits	82,196	66,380
Bank balances and cash	898,386	668,551
	1,118,364	1,031,684
Equity instruments at FVTOCI	–	152,819
Financial liabilities		
<i>Derivative instruments in designated hedge accounting relationships</i>		
Cross currency swaps	84,748	13,185
Interest rate swaps	23,183	24,937
	107,931	38,122
<i>Financial liabilities at amortised costs</i>		
Trade and other payables	248,873	306,878
Rental deposits received	551,255	555,552
Distribution payable	454,408	534,883
Bank borrowings	10,495,536	7,494,848
Medium term notes	4,013,617	7,024,336
	15,763,689	15,916,497

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, short-term bank deposits, 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 currency risk, 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\$300,000,000 (2022: US\$639,400,000). 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 the Group's foreign currency denominated monetary assets and liabilities (except for the medium term notes of US\$300,000,000 (2022: US\$639,400,000) as mentioned above) at the end of reporting period are as follows:

	Assets		Liabilities	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
US\$	319,608	301,937	-	337,439
GBP	284,756	260,978	-	-

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 an increase in profit and other comprehensive income (2022: decrease in loss and other comprehensive expense) 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 profit (loss) and other comprehensive income (expense) for the year, and the balances below would be negative.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

34. Financial Instruments (Continued)

(b) Financial risks management objectives and policies (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	GBP impact	
	2023 HK\$'000	2022 HK\$'000
Profit or loss	194	24
Other comprehensive income (expense)	28,281	26,074

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 (see note 23 for details). The Group is also exposed to fair value interest rate risk in relation to its short-term bank 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.

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, 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 (2022: 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 profit before tax and distribution to unitholders for the year ended 31 December 2023 would decrease/increase by HK\$33,213,000 (2022: loss before tax and distribution to unitholders would increase/decrease by HK\$18,213,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate term loans (and medium term notes for 2022) which are not hedged and has an aggregate amount of HK\$6,642,635,000 (2022: HK\$3,642,635,000) as at 31 December 2023.

34. Financial Instruments (Continued)

(b) Financial risks management objectives and policies (Continued)

(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 31 December 2022.

If the prices of the listed equity instruments at FVTOCI measured at fair value had been 10% higher/lower, investment revaluation reserve would increase/decrease by HK\$15,282,000 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 2023, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

34. Financial Instruments (Continued)

(b) Financial risks management objectives and policies (Continued)

(iv) Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and deferred lease 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 and deferred lease receivables, which are subject to ECL assessment.

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2023 HK\$'000	2022 HK\$'000
Financial assets						
Notes receivables	16	BBB- or above*	N/A	12m ECL	99,888	149,205
		Non-rated	N/A	12m ECL	–	35,049
		Below BB-*	N/A	Lifetime ECL (credit-impaired)	120,207	120,172
					220,095	304,426
Trade receivables	19	N/A	(Note 2)	Lifetime ECL	31,382	53,976
		N/A	(Note 2)	Lifetime ECL (credit-impaired)	6,162	6,487
					37,544	60,463
Other receivables	19	N/A	(Note 1)	12m ECL	6,512	7,369
		N/A	(Note 1)	Lifetime ECL (credit-impaired)	3,835	3,834
					10,347	11,203
Amount due from a joint venture	17	N/A	(Note 1)	12m ECL	–	51,154
Short-term bank deposits and bank balances	20	N/A	(Note 1)	12m ECL	980,582	734,931
Other item						
Deferred lease receivables	19	N/A	(Note 2)	Lifetime ECL	76,139	93,453

* or its equivalent

Notes:

- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.
- For trade receivables and deferred lease 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 2023

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 credit losses. 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 except for the notes receivables and the related interest receivables, 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 2023, net loss allowance provision of HK\$1,160,000 (2022: HK\$5,593,000) 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 carrying amount of HK\$99,888,000 (2022: HK\$184,254,000), 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 or are with good repayment record. For the remaining notes receivables with gross carrying amount of HK\$120,207,000 (2022: HK\$120,172,000), 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. As at 31 December 2023, the Group has provided HK\$120,207,000 (2022: HK\$120,172,000) allowance for credit losses (lifetime (credit-impaired)) on notes receivables.

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 2022	–	2,987	2,987
Write-off during the year	–	(2,093)	(2,093)
Increase in allowance recognised in profit or loss	–	5,593	5,593
At 31 December 2022	–	6,487	6,487
Write-off during the year	–	(1,485)	(1,485)
Increase in allowance recognised in profit or loss	–	1,160	1,160
At 31 December 2023	–	6,162	6,162

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 2022	1,695	72,925	74,620
Increase in allowance recognised in profit or loss	–	46,182	46,182
Transfer to credit impaired	(1,695)	1,695	–
Exchange difference	–	(630)	(630)
At 31 December 2022	–	120,172	120,172
Exchange difference	–	35	35
At 31 December 2023	–	120,207	120,207

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 2022	–	1,779	1,779
Increase in allowance recognised in profit or loss	–	2,058	2,058
Exchange difference	–	(3)	(3)
At 31 December 2022	–	3,834	3,834
Exchange difference	–	1	1
At 31 December 2023	–	3,835	3,835

(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 short-term bank deposits of a total of HK\$980,582,000 (2022: HK\$734,931,000) as at 31 December 2023. In addition to the cash resources, the Group has available borrowing facilities amounting to HK\$14,400,000,000 (2022: HK\$13,400,000,000), of which HK\$10,542,635,000 (2022: HK\$7,542,635,000) was drawn as at 31 December 2023. The undrawn committed revolving credit facilities amounted to HK\$3,857,365,000 as at 31 December 2023 (2022: HK\$5,857,365,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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\$1,700,000,000 and US\$300,000,000 (2022: HK\$1,700,000,000 and US\$686,400,000) as at 31 December 2023.

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\$3,857,365,000 (2022: HK\$5,857,365,000) and a balance of approximately HK\$11,580,060,000 (2022: HK\$8,558,559,000) 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 2023, the Group's current liabilities exceeded its current assets by HK\$6,532,194,000 (2022 (restated): HK\$5,344,028,000). The Manager is of the opinion that, taking into account the expectation of refinancing the existing unsecured term loans which are due within one year, presently available banking facilities and internal financial resources, 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% (2022: 50%) of the total gross asset value as required by the REIT Code. As at 31 December 2023, the gearing ratio was 22.8% (2022: 22.5%). 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.

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 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.

	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 2023							
<i>Non-interest bearing</i>							
Trade and other receivables	–	37,894	–	–	–	37,894	37,894
<i>Fixed interest rate</i>							
Notes receivables	3.90	56,204	1,308	47,525	–	105,037	99,888
Short-term bank deposits and bank balances and cash	5.16	984,293	–	–	–	984,293	980,582
		1,040,497	1,308	47,525	–	1,089,330	1,080,470
Total		1,078,391	1,308	47,525	–	1,127,224	1,118,364
<i>Non-interest bearing</i>							
Trade and other payables	–	(248,873)	–	–	–	(248,873)	(248,873)
Rental deposits received	–	(323,137)	(134,993)	(93,088)	(37)	(551,255)	(551,255)
Distribution payable	–	(454,408)	–	–	–	(454,408)	(454,408)
		(1,026,418)	(134,993)	(93,088)	(37)	(1,254,536)	(1,254,536)
<i>Variable interest rate instruments</i>							
Bank borrowings	6.17	(7,347,349)	(630,860)	(3,289,764)	–	(11,267,973)	(10,495,536)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.09	(324,960)	(1,333,416)	(507,986)	(2,446,521)	(4,612,883)	(4,013,617)
Total		(8,698,727)	(2,099,269)	(3,890,838)	(2,446,558)	(17,135,392)	(15,763,689)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2022							
<i>Non-interest bearing</i>							
Trade and other receivables	-	61,345	-	-	-	61,345	61,345
Amount due from a joint venture	-	51,154	-	-	-	51,154	51,154
		112,499	-	-	-	112,499	112,499
<i>Fixed interest rate</i>							
Notes receivables	4.25	94,667	56,187	48,819	-	199,673	184,254
Short-term bank deposits and bank balances and cash	3.78	738,640	-	-	-	738,640	734,931
		833,307	56,187	48,819	-	938,313	919,185
Total		945,806	56,187	48,819	-	1,050,812	1,031,684
<i>Non-interest bearing</i>							
Trade and other payables	-	(306,878)	-	-	-	(306,878)	(306,878)
Rental deposits received	-	(292,713)	(128,910)	(133,909)	(20)	(555,552)	(555,552)
Distribution payable	-	(534,883)	-	-	-	(534,883)	(534,883)
		(1,134,474)	(128,910)	(133,909)	(20)	(1,397,313)	(1,397,313)
<i>Variable interest rate instruments</i>							
Bank borrowings	5.29	(1,627,266)	(5,163,356)	(1,407,649)	-	(8,198,271)	(7,494,848)
<i>Fixed interest rate instruments</i>							
Medium term notes	3.37	(3,199,131)	(324,960)	(1,492,159)	(2,795,764)	(7,812,014)	(7,024,336)
Total		(5,960,871)	(5,617,226)	(3,033,717)	(2,795,784)	(17,407,598)	(15,916,497)

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 2023						
<i>Derivatives – net settlement</i>						
Cross currency swaps	199	199	597	540	1,535	(84,748)
Interest rate swaps	38,105	(14,776)	(8,347)	–	14,982	22,712
As at 31 December 2022						
<i>Derivatives – net settlement</i>						
Cross currency swaps	(9,376)	129	388	529	(8,330)	3,475
Interest rate swaps	75,208	29,927	(15,345)	–	89,790	86,101

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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
	2023 HK\$'000	2022 HK\$'000		
Listed equity securities classified as equity instruments at FVTOCI	–	152,819	Level 1	Quoted bid price in an active market.
Cross currency swaps classified as derivative financial instruments	–/ (84,748)	16,660/ (13,185)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and interest rates (from observable forward exchange rates 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	45,895/ (23,183)	111,038/ (24,937)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable forward 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 2022	16,852	75,786	7,639,106	7,649,560	642,161	16,023,465
Cash flows	999	(417,633)	(127,743)	(643,000)	(1,275,762)	(2,463,139)
Finance costs (note)	–	415,738	19,540	8,745	–	444,023
Foreign exchange translations	–	–	–	9,031	–	9,031
Other changes						
Fair value adjustments	(107,427)	–	–	–	–	(107,427)
Distribution declared	–	–	–	–	1,168,444	1,168,444
Other non-cash changes	–	–	(36,055)	–	40	(36,015)
At 31 December 2022	(89,576)	73,891	7,494,848	7,024,336	534,883	15,038,382
Cash flows	87,581	(700,817)	2,977,820	(3,017,591)	(1,092,441)	(1,745,448)
Finance costs (note)	–	663,461	22,868	6,200	–	692,529
Foreign exchange translations	–	–	–	672	–	672
Other changes						
Fair value adjustments	64,031	–	–	–	–	64,031
Distribution declared	–	–	–	–	1,011,968	1,011,968
Other non-cash changes	–	–	–	–	(2)	(2)
At 31 December 2023	62,036	36,535	10,495,536	4,013,617	454,408	15,062,132

Note: The amounts reclassified from hedging reserve are excluded in the reconciliation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. Particulars of Principal Subsidiaries of Champion REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2023 and 2022.

Name	Issued and fully paid share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
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\$601,000,000 (2022: HK\$1,000,000)	Property investment
Trump Treasure Limited	HK\$1	Treasury
Wisdom Base Limited	HK\$1	Treasury
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
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

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 2023 and 2022 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	26,645,000	78.3
Cushman & Wakefield (HK) Limited	Leasing	1,607,000	4.7
CBRE Limited	Leasing	1,106,000	3.2
Jones Lang LaSalle Limited	Leasing	700,000	2.1
Jamco Realty Limited	Leasing	558,000	1.6
Total		30,616,000	89.9

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	298,411,000	59.8
Eagle Property Management (CP) Limited	Property and lease management	69,736,000	14.0
Longworth Management Limited	Building management	55,503,000	11.1
Best Come Limited	Building management	13,419,000	2.7
Keysen Engineering Company Limited	Repair and maintenance expenses	3,830,000	0.8
Total		440,899,000	88.4

Performance Table

	2023	2022	2021	2020	2019
As at 31 December:					
Net asset value (HK\$'000)	46,415,198	47,227,767	48,962,619	50,857,598	64,834,322
Net asset value per unit (HK\$)	7.72	7.91	8.25	8.61	11.04
The highest traded price during the year (HK\$)	3.66	4.08	4.88	5.11	6.89
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 year (HK\$)	2.35	2.33	3.78	3.51	4.88
The highest discount of the traded price to net asset value	69.6%	70.5%	54.2%	59.2%	55.8%
For the year ended 31 December:					
Distribution yield per unit ²	6.9%	6.4%	5.7%	5.5%	5.2%
Net profit (loss) yield per unit ³	1.5%	(4.1%)	(3.5%)	(46.7%)	(1.9%)

Notes:

1. The highest traded price is lower than the net asset value per unit. Accordingly, no premium of the traded price to net asset value is presented.
2. Distribution yield per unit is calculated based on the distribution per unit of HK\$0.1683 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2023 over the closing unit price of HK\$2.45 on 29 December 2023.
3. Net profit (loss) yield per unit is calculated based on profit (loss) for the year before distribution to unitholders per unit for the year ended 31 December 2023 over the closing unit price of HK\$2.45 recorded on 29 December 2023.

Corporate Information

Champion REIT

Champion Real Estate Investment Trust
(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

REIT Manager

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

Board of Directors of The REIT Manager

Non-executive Directors

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

Executive Director

HAU Shun, Christina (*Chief Executive Officer*)

Independent Non-Executive Directors

CHAN Ka Keung, Ceajer
CHENG Wai Chee, Christopher
IP Yuk Keung, Albert
SHEK Lai Him, Abraham

Audit Committee of The REIT Manager

SHEK Lai Him, Abraham (*Chairman*)
CHAN Ka Keung, Ceajer
CHENG Wai Chee, Christopher
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

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

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
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 Advisors

Baker & McKenzie
Mayer Brown
Reed Smith Richards Butler LLP

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
183 Queen's Road East
Wanchai
Hong Kong
Email: hkinfo@computershare.com.hk

Website

www.ChampionReit.com

Stock Code

2778

ChampionREIT

冠君產業信託

Suite 3008, 30th Floor, Great Eagle Centre,
23 Harbour Road, Wanchai, Hong Kong
Tel (852) 2879 1288 Fax (852) 2827 1338
www.ChampionReit.com



PDF version

