IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO (i) ANY PERSON OR ADDRESS IN THE UNITED STATES OR (ii) TO ANY U.S. PERSONS

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSONS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to each of the Issuer, the REIT Manager, the REIT Trustee, the Joint Arrangers and the Dealers (each as defined in this Offering Circular) that (1) you are not in the United States, and the electronic mail address that you provided and to which this e-mail has been delivered is not located in the United States, (2) neither you nor any customer you represent is a U.S. person (as defined in Regulation S under the Securities Act) and (3) you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the REIT Manager, the REIT Trustee, the Joint Arrangers or the Dealers, nor any person who controls the Issuer, the REIT Manager, the REIT Trustee, any of the Joint Arrangers or any Dealer, nor any director, officer, employee or agent of the Issuer, the REIT Manager, the REIT Trustee, any of the Joint Arrangers or any Dealer, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Arrangers or any Dealer.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Offering Circular dated 12 May 2020

Champion MTN Limited

(incorporated in the Cayman Islands with limited liability)
(as Issuer)

U.S.$2,000,000,000
Guaranteed Medium Term Note Programme
Guaranteed by
HSBC Institutional Trust Services (Asia) Limited

(incorporated in Hong Kong with limited liability)
in its capacity as trustee, and with recourse limited to the assets, of

ChampionREIT
冠君產業信託

Champion Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)
(stock code: 2778)

Managed by

Eagle Asset Management
Eagle Asset Management (CP) Limited

(incorporated in Hong Kong with limited liability)
(in its capacity as manager of Champion Real Estate Investment Trust)

Under the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Champion MTN Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Medium Term Notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee**") by HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee, and with recourse limited to the assets, of Champion Real Estate Investment Trust ("**Champion REIT**")) (the "**REIT Trustee**") (in such capacity, the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the REIT Trustee as trustee of Champion REIT. Champion REIT is managed by Eagle Asset Management (CP) Limited (the "**REIT Manager**", which expression shall mean the REIT Manager in its capacity as manager of Champion REIT). With effect from 12 May 2020, the size of the Programme was increased from U.S.$1,000,000,000 to U.S.$2,000,000,000 in accordance with the terms of the Programme. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies).

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**")(together, "**Professional Investors**") only during the 12-month period from the date of this document on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of Programme and the Notes on Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Guarantor and the REIT Manager or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "Terms and Conditions of the Notes" and each term therein, a "**Condition**") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche.

Each Series (as defined in "Terms and Conditions of the Notes") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Note**"). Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the relevant issue date, in the case of Notes for which the D Rules are specified in the relevant Pricing Supplement as applicable, upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Global Certificates (as defined in "Summary of the Programme") may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") (the "**Common Depositary**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU Service**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). Any Series of Notes may be subject to additional selling restrictions. The Relevant Pricing Supplement in respect of such Series of Notes will specify any such restriction. See "Subscription and Sale" and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

The offer and marketing (as such term is defined in Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the "**AIFMD**")) of any Tranche of Notes will be conducted in the European Economic Area (the "**EEA**") and/or the United Kingdom (the "**UK**") only in the Approved Jurisdiction(s) (as specified in the applicable Pricing Supplement) and will not be conducted in any other EEA member state and/or the UK. If a potential investor is not in an Approved Jurisdiction or otherwise is a person to whom the relevant Notes cannot be marketed in accordance with the AIFMD, as implemented and interpreted in accordance with the laws of each EEA member state and/or the UK, it should not participate in the relevant offering and the relevant Notes may not, and will not, be offered or marketed to it.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

In addition, if the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "**Prohibition of Sales to EEA and UK Retail Investors**", the relevant Tranche of Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is presently rated (P)Baa1 by Moody's. The rating is only correct as of the date of this Offering Circular. Tranches of Notes (as defined in "Summary of the Programme") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to other Tranches of Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under "Risk Factors" below.

Joint Arrangers for the Programme

DBS Bank Ltd.	**Mizuho Securities**
ICBC International	**CMB International**

Dealers

DBS Bank Ltd.	**Mizuho Securities**
ICBC International	**CMB International**
Agricultural Bank of China Limited Hong Kong Branch	**ANZ**
Bank of China (Hong Kong)	**Barclays**
BNP PARIBAS	**BofA Securities**
China Construction Bank (Asia)	**Citigroup**
Commerzbank	**Deutsche Bank**
Goldman Sachs (Asia) L.L.C.	**HSBC**
ICBC (Asia)	**Morgan Stanley**
OCBC Bank	**SMBC Nikko**
Standard Chartered Bank	**UBS**
UOB	

NOTICE TO INVESTORS

Each of the Issuer and the REIT Manager, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the REIT Manager, Champion REIT, the Group (as defined in "Definitions and Glossary"), the Notes and the Guarantee that is material in the context of the issue and offering of the Notes (including all information which is necessary to enable investors to make an informed assessment of the Notes, the Guarantee and the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the REIT Manager, Champion REIT and the Group), (ii) the statements contained in it relating to the Issuer, the REIT Manager, Champion REIT and the Group are in every material respect true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the REIT Manager, Champion REIT and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the REIT Manager, Champion REIT, the Group, the Notes or the Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer and the REIT Manager, to ascertain such facts and to verify the accuracy of all such information and statements and (vi) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading.

The REIT Trustee, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the REIT Trustee that is material in the context of the issue and offering of the Notes, (ii) the statements contained in it relating to the REIT Trustee are in every material respect true and accurate and not misleading, (iii) the opinions and intentions, if any, expressed in this Offering Circular with regard to the REIT Trustee are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the REIT Trustee, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the REIT Trustee to ascertain such facts and to verify the accuracy of all such information and statements and (vi) this Offering Circular does not contain any untrue statement of a material fact in relation to the REIT Trustee and does not omit to state a material fact necessary in order to make the statements in relation to the REIT Trustee herein, in the light of the circumstances under which they were made, not misleading in any material aspect.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer, the Guarantor, the REIT Manager, Champion REIT, any member of the Group, any of the Joint Arrangers (as defined in "Summary of the Programme") or any of the Dealers (as defined in "Summary of the Programme"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the REIT Manager, Champion REIT or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor, the REIT Manager, Champion REIT or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the REIT Manager, the Joint Arrangers and the Dealers to inform themselves about and to observe any such restrictions. The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). The Notes and Guarantee are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, and transfers of Notes and on the distribution of this Offering Circular, see "Subscription and Sale".

The offer and marketing (as such term is defined in Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on AIFMD) of any Tranche of Notes will be conducted in the EEA and/or the UK only in the Approved Jurisdiction(s) (as specified in the applicable Pricing Supplement) and will not be conducted in any other EEA member state and/or the UK. If a potential investor is not in an Approved Jurisdiction or otherwise is a person to whom the relevant Notes cannot be marketed in accordance with the AIFMD, as implemented and interpreted in accordance with the laws of each EEA member state and/or the UK, it should not participate in the relevant offering and the relevant Notes may not, and will not, be offered or marketed to it.

MiFID II product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

IMPORTANT – EEA AND UK RETAIL INVESTORS – If the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the relevant Tranche of Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been

prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA"), as modified or amended from time to time and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the REIT Manager, Champion REIT, the Joint Arrangers or the Dealers to subscribe for, or purchase, any Notes.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules") for the purposes of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the REIT Manager accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The REIT Trustee takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability (other than in its capacity as trustee of Champion REIT) whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular except that the REIT Trustee accepts full responsibility for the accuracy of the information in relation to the REIT Trustee contained in this Offering Circular.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Document Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Securities and Futures Commission, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

No representation or warranty, express or implied, is made or given by the Joint Arrangers, the Dealers, Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch, Citicorp International Limited or Citigroup Global Markets Deutschland AG (collectively, the "Agents") as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Arrangers, the Dealers, the Trustee or the Agents. None of the Joint Arrangers, the Dealers, the Trustee or the Agents has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful of complete.

To the fullest extent permitted by law, none of the Joint Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents or affiliates accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Arranger, a Dealer, the Trustee or the Agents or any of their

respective directors, officers, employees, agents or affiliates or on its behalf in connection with the Issuer, the Guarantor, the REIT Manager, Champion REIT, or the issue and offering of the Notes. Each Joint Arranger, each Dealer, the Trustee and each Agent and each of their respective directors, officers, employees, agents and affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the REIT Manager, Champion REIT, the Joint Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents or affiliates that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor, the REIT Manager, Champion REIT and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. None of the Joint Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the REIT Manager, Champion REIT and the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents or affiliates.

Except as otherwise indicated in this Offering Circular, any statistical, industry and market-related data contained herein has been extracted or derived from publicly available information and industry publications which the Issuer and the REIT Manager believe to be accurate and reliable in all material respects. The information has not been independently verified by the Issuer, the REIT Manager, Champion REIT or the Group or by their respective directors, officers, employees, agents and advisors and none of the Issuer, the REIT Manager, Champion REIT or the Group or their respective directors, officers, employees, agents or advisors make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

The REIT Code contains rules governing transactions between the Champion REIT and certain defined categories of connected persons. Such transactions will constitute connected party transactions for the purposes of the REIT Code. Champion REIT's connected persons include, among others, the REIT Trustee and companies within the same group as, or associated companies of, the REIT Trustee. As a result, the list of connected persons of Champion REIT will include The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and its subsidiaries because the REIT Trustee is a wholly-owned subsidiary of HSBC.

The REIT Manager has applied for certain waivers from the REIT Code with respect to transactions with a number of financial services groups that are connected persons. Subject to certain prescribed continuing conditions, on 26 April 2006, the SFC granted a waiver to Champion REIT from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between the Group and the HSBC group, as defined therein, including where HSBC is involved in an underwriting or arranging capacity for an issue of debt instruments or other related arrangements. Accordingly, no approval has been sought nor is required from the

Unitholders for HSBC to act as Dealer in connection with the Programme and issue of Notes. If, in the course of the offer for sale or distribution or issue of any of the Notes, there is or is expected to be any connected party transaction between Champion REIT and/or any company controlled by it which is not covered by such waivers or dispensations, Champion REIT will, having regard to the facts and circumstances of the relevant transaction, either comply with all applicable requirements of the REIT Code in respect thereof, or seek appropriate further waiver or dispensation from the SFC.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager") (or persons acting on behalf of any Stabilisation Manager) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

CURRENCIES

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "Hong Kong" or "Hong Kong SAR" are to the Hong Kong Special Administrative Region of the People's Republic of China, to "HK$" or "Hong Kong dollar" are to Hong Kong dollars, references to "PRC" are to the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong, to "U.S.$" or U.S. dollar are to U.S. dollars, to "sterling" or "£" are to the currency of the United Kingdom, to "euro" or "€" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time and to "Renminbi", "RMB" and "CNY" are to the currency of the PRC.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the REIT Manager has given an undertaking to the Dealers in the Dealer Agreement (as defined in "Subscription and Sale") that unless the Issuer has notified the Dealers in writing that it does not intend to issue Notes under the Programme for the time being, it shall prepare and publish an amendment or supplement to the Offering Circular if at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and/or the Group and/or of the rights attaching to the Notes and/or the Guarantee.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- Champion REIT's financial condition and results of operations;
- the anticipated availability of bank and other forms of financing; and
- Champion REIT's key objectives and management strategy.

The words "anticipate", "believe", "estimate", "expect", "intend", "seek", "plan", "may", "will", "would", "could" and similar expressions, as they relate to Champion REIT and are intended to identify a number of these forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond Champion REIT's control. In addition, these forward-looking statements reflect the current views of the REIT Manager with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, among others:

- various business opportunities that Champion REIT may pursue;
- changes or volatility in interest rates;
- changes in the availability of bank or other forms of financing;
- the effect of adverse conditions on Hong Kong's economy and the real estate market;
- competition;
- potential legislative, accounting and regulatory changes in Hong Kong that may affect Champion REIT's performance; and
- the risk factors discussed in this Offering Circular as well as other factors beyond Champion REIT's control.

Subject to compliance with applicable regulatory requirements, neither the Issuer nor the REIT Manager intends to update or otherwise revise the forward-looking statements in this Offering Circular, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Offering Circular might not occur in the way the Issuer or REIT Manager expects, or at all. Investors should not place undue reliance on any forward-looking information.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each applicable Pricing Supplement, the most recently published audited annual accounts and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts of the Group from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Consequently, any unaudited financial information incorporated by reference in this Offering Circular should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Arrangers, the Dealers, the Trustee or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents set out at the end of this Offering Circular. As at the date of this Offering Circular, other than the financial statements of the Group, the Issuer and the Guarantor have not published and do not propose to publish any financial statements. See "General Information" for a description of the financial statements currently published by the Group.

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SUMMARY OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Offering Circular.

Issuer	Champion MTN Limited.
Guarantor	HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Champion Real Estate Investment Trust).
REIT Manager	Eagle Asset Management (CP) Limited (in its capacity as manager of Champion Real Estate Investment Trust).
Description	Guaranteed Medium Term Note Programme.
Size	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the REIT Manager may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Joint Arrangers	DBS Bank Ltd. Mizuho Securities Asia Limited ICBC International Securities Limited CMB International Capital Limited
Dealers	DBS Bank Ltd. Mizuho Securities Asia Limited ICBC International Securities Limited CMB International Capital Limited Agricultural Bank of China Limited Hong Kong Branch Australia and New Zealand Banking Group Limited Bank of China (Hong Kong) Limited Barclays Bank PLC BNP Paribas China Construction Bank (Asia) Corporation Limited Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Deutsche Bank AG, Hong Kong Branch Goldman Sachs (Asia) L.L.C. Industrial and Commercial Bank of China (Asia) Limited Merrill Lynch (Asia Pacific) Limited Morgan Stanley & Co. International plc Oversea-Chinese Banking Corporation Limited SMBC Nikko Capital Markets Limited Standard Chartered Bank The Hongkong and Shanghai Banking Corporation Limited UBS AG Hong Kong Branch United Overseas Bank Limited, Hong Kong Branch

	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Tranches.
Trustee	Citicorp International Limited.
Issuing and Paying Agent (for Notes other than CMU Notes)	Citibank, N.A., London Branch.
Registrar (for CMU Notes) . . .	Citicorp International Limited.
Registrar (for Notes other than CMU Notes)	Citibank, N.A., London Branch.
Transfer Agent (for CMU Notes).	Citicorp International Limited.
Transfer Agent (for Notes other than CMU Notes). . . .	Citibank, N.A. London Branch.
CMU Lodging and Paying Agent	Citicorp International Limited.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable pricing supplement (the "**Pricing Supplement**").
Issue Price.	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes	The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

	Each Tranche of Bearer Notes will initially be in the form of either a temporary Global Note or a permanent Global Note, in each case as specified in the applicable Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream, Luxembourg and/or, as the case may be, the CMU and/or any other relevant clearing system. Each temporary Global Note will be exchangeable for a permanent Global Note or, if so specified in the applicable Pricing Supplement, for Definitive Notes. If the D Rules are specified in the applicable Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a temporary Global Note or receipt of any payment of interest in respect of a temporary Global Note. Each permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Certificates. Certificates representing Registered Notes that are registered in the name of a nominee for one or more of Euroclear, Clearstream, Luxembourg and the CMU are referred to as "**Global Certificates**".
Clearing Systems	The CMU, Clearstream, Luxembourg and/or Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Trustee, the Issuing and Paying Agent (or, the CMU Lodging and Paying Agent, as the case may be), the REIT Manager and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the REIT Manager, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies.	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the REIT Manager and the relevant Dealer. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Specified Denomination	Notes will be in such denominations as may be specified in the applicable Pricing Supplement save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, EURIBOR or HIBOR (or such other benchmark as may be specified in the applicable Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the applicable Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Partly Paid Notes.	See "Terms and Conditions of the Notes – Interest and Other Calculations".
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the applicable Pricing Supplement.
Interest Periods and Interest Rates.	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Pricing Supplement.

Redemption	The applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	The applicable Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes.	The Notes will constitute (subject to Condition 4) direct, unsecured and unsubordinated obligations of the Issuer. The payment obligations of the Issuer under the Notes will, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Guarantee and Status of Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed (as defined in "Terms and Conditions of the Notes"). The payment obligations of the Guarantor under the Guarantee will except as provided below and save for such obligations as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured obligations and unsubordinated indebtedness and monetary obligations of the Guarantor, present and future provided that the Guarantor's obligations under the Guarantee will rank equally with all other unsecured obligations and monetary obligations of the Guarantor incurred in its capacity as trustee of Champion REIT and recourse to the Guarantor shall always be limited to the assets comprising the Deposited Property, subject to any prior ranking claims over those assets.
Negative Pledge	See "Terms and Conditions of the Notes – Covenants – Negative Pledge".
Borrowings	See "Terms and Conditions of the Notes – Covenants – Borrowings".
Cross Default.	See "Terms and Conditions of the Notes – Events of Default".
Ratings	The Programme is presently rated (P)Baa1 by Moody's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the applicable Pricing Supplement.

	A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "– Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Withholding Tax	All payments of principal and interest in respect of the Notes or under the Guarantee will be made free and clear of, and without withholding or deduction for, any taxes of the Cayman Islands or Hong Kong, unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to limited exceptions specified in "Terms and Conditions of the Notes – Taxation".
Governing Law	English law.
Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange under which the Notes may be issued by way of debt issues to Professional Investors only. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the REIT Manager, the REIT Trustee and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Hong Kong, Japan, Netherlands, the People's Republic of China, Singapore and the Cayman Islands, see "*Subscription and Sale*". Offers of Notes will be conducted in the European Economic Area and/or the United Kingdom only in the Approved Jurisdictions specified in the applicable Pricing Supplement and will not be conducted in any other EEA member state and/or the UK.
Legal Entity Identifier	The LEI of the Issuer is 25490094RKSYWL8Z4255.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued under the Programme. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

This Note is one of a series ("**Series**") of Notes issued by Champion MTN Limited, (the "**Issuer**") and guaranteed by HSBC Institutional Trust Services (Asia) Limited (in its capacity as the trustee, and with recourse limited to the assets, of Champion Real Estate Investment Trust ("**Champion REIT**")) (the "**Guarantor**").

The Notes are constituted by an Amended and Restated Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 1 November 2016 between the Issuer, Eagle Asset Management (CP) Limited (in its capacity as manager of Champion REIT, the "**REIT Manager**") (a company incorporated in Hong Kong and licensed by the Securities and Futures Commission of Hong Kong to conduct the regulated activity of asset management, as the manager of Champion REIT), the Guarantor and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Amended and Restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 1 November 2016 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citicorp International Limited as lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**"), and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrars, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrars**", the "**Transfer Agents**" (which expression shall include the relevant Registrar) and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at 20/F Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Guarantee and Status

(a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, the Receipts and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Trust Deed.

(b) **Status of Notes and Guarantee:** The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4) direct, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, except as provided below and save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future; provided that the Guarantor's obligations under the Guarantee will rank equally with all other unsecured obligations and monetary obligations of the Guarantor incurred in its capacity as trustee of Champion REIT and recourse to the Guarantor shall always be limited to the assets comprising the Deposited Property, subject to any prior ranking claims over those assets.

"**Deposited Property**" has the meaning given in the trust deed between the Guarantor and the REIT Manager constituting Champion REIT dated 26 April 2006, as amended and supplemented.

4 Covenants

(a) **Negative Pledge:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), none of the Issuer or the Guarantor will, and each of the Issuer and the REIT Manager will ensure that none of the other members of the Group (excluding the Guarantor in any capacity other than that as trustee of Champion REIT) will, create, or permit to subsist, any mortgage, charge, lien, pledge or other security interest ("**Security**") other than Permitted Security upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In these Conditions:

"**Group**" means the Issuer, the Guarantor (in its capacity as trustee of Champion REIT), Champion REIT and their respective subsidiaries for the time being;

"**Permitted Security**" means any Security for the benefit of the holders of any Relevant Indebtedness in respect of the assets or revenues of any member of the Group existing at the time it becomes a member of the Group;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (but excluding instruments commonly referred to as transferable loan certificates) which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market having an original maturity of more than 365 days from its date of issue; and

"**Subsidiary**" means, in relation to any person, any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

(b) **Borrowings:** The Issuer and the Guarantor shall not (and each of the Issuer and the REIT Manager shall ensure that no other member of the Group (excluding the Guarantor in any capacity other than that as trustee of Champion REIT) will) incur any Financial Indebtedness if Borrowings would exceed 45 per cent. of Total Consolidated Assets (or any such higher percentage which the REIT Code may permit) as a result of such incurrence.

In these Conditions:

"**Borrowings**" means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of members of the Group;

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(i) moneys borrowed;

(ii) any amount raised under any acceptance credit, bill acceptance or bill endorsement facility;

(iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(iv) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

(v) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);

(vi) any amount raised under any other transaction (including any forward sale or purchase agreement) required by GAAP to be shown as a borrowing in the audited consolidated balance sheet of the Group;

(vii) shares which are expressed to be redeemable;

(viii) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(ix) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (viii) above of this definition,

but excluding indebtedness owing by a member of the Group to another member of the Group and, for the avoidance of doubt, excluding net assets attributable to unitholders of Champion REIT;

"**GAAP**" means generally accepted accounting principles, standards and practices in Hong Kong;

"**REIT Code**" means the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong; and

"**Total Consolidated Assets**" means, at any particular time, the value of all assets of the Group, including any investments it is authorised to hold in accordance with the REIT Code together with any moneys held by it.

5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Hong Kong time in the case of HIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, HIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Paying Agent and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amount, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified in writing to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“$\mathbf{Y_1}$” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“$\mathbf{Y_2}$” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“$\mathbf{M_1}$” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“$\mathbf{M_2}$” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“$\mathbf{D_1}$” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

“$\mathbf{D_2}$” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(viii) if “**Actual/Actual-ICMA**” is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, Hong Kong dollars or euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of determination of HIBOR, the principal Hong Kong office of four major banks in the

Hong Kong inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i), its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or the Guarantor, if the Guarantee was called) satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands (in the case of a payment by the Issuer) or Hong Kong (in the case of a payment by the Guarantor) or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(c), in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption following Change of Control:** If Change of Control Put Option is specified hereon and if, at any time while any of the Notes remains outstanding, a Change of Control (as defined below) occurs, then the holder of each such Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or Condition 6(d)) to require the Issuer either to redeem or, at the Issuer's option, purchase (or procure the purchase of) all (but not some only) of such holder's Notes on the date which is 14 days after the expiration of the Change of Control Put Period (as defined below) (or such other date as may be specified hereon) (the "**Change of Control Put Date**") at the Change of Control Redemption Amount specified hereon together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control**" will be deemed to occur if:

(i) any person or persons (as defined below) acting together acquires Control of Eagle Asset Management (CP) Limited whilst it is the REIT Manager;

(ii) Eagle Asset Management (CP) Limited or any subsequent manager of Champion REIT is replaced by a new manager not controlled by Great Eagle Holdings Limited; or

(iii) the percentage ownership of units of Champion REIT by Great Eagle Holdings Limited (whether directly or through any one or more of its Subsidiaries) is reduced below (a) 30 per cent. or (ii) such other percentage as is from time to time defined under the

Hong Kong Codes on Takeovers and Mergers and Share Repurchases as constituting control of a company, in each case of the total number of units of Champion REIT in issue from time to time.

Not more than seven days after the Issuer becoming aware that a Change of Control has occurred the Issuer shall, and at any time upon the Trustee having actual knowledge or being notified that a Change of Control has occurred the Trustee may, and if so requested by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 16 specifying the nature of the Change of Control Put Option and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of the Note must (in the case of Bearer Notes) deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) deposit the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, in each case at any time during normal business hours in the location of the specified office of such Paying Agent, the Registrar or such Transfer Agent, as the case may be, falling within the period (the "**Change of Control Put Period**") of 30 days after a Change of Control Notice is given or such other date as may be specified hereon, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Issuing and Paying Agent, the Registrar or any Transfer Agent, as the case may be. No Note or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

The Trustee is under no obligation to ascertain or verify whether a Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control has occurred, and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or other such event has occurred.

For the purpose of this Condition 6(e):

"**Control**" means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the relevant company or the right to appoint and/or remove all or the majority of the members of the relevant company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

(f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any

Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) **Purchases:** Any member of the Group may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(i) **Cancellation:** All Notes purchased by or on behalf of a member of the Group may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) In the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) In the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or, in the case of Renminbi or if otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) In the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank;

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "registered account" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity and/or security as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Cayman Islands (in the case of payments by the Issuer) or Hong Kong (in the case of payments by the Guarantor) other than the mere holding of the Note, Receipt or Coupon or

(b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it being indemnified and/or secured and/or pre-funded by the Noteholders to its satisfaction), give notice to the Issuer and the REIT Manager that the Notes are, and they shall accordingly thereby become, immediately due and repayable at their Early Redemption Amount plus (if applicable) accrued interest to the date of repayment if any of the following events has occurred:

(a) a default is made in the payment of any principal or interest due in respect of any of the Notes and such default is not remedied within seven Business Days in the case of principal or 14 Business Days in the case of interest;

(b) the Issuer, the REIT Manager or the Guarantor does not perform or comply with one or more of its obligations under the Notes or the Trust Deed, which default is incapable of remedy or, if capable of remedy, is not remedied within 21 days after written notice of such default shall have been given to the Issuer, the REIT Manager or the Guarantor (as appropriate) by the Trustee;

(c) the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary (as defined below) is (or is, or could properly be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary;

(d) (i) any other present or future indebtedness of the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described) and is not repaid within any applicable grace period, or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary fails to pay when due (or within any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(d) have occurred equals or exceeds U.S.$30,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank selected by the Trustee on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

(e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary, which is material to Champion REIT and its Subsidiaries as a whole, and is not discharged or stayed within 30 days;

(f) an order is made or an effective resolution passed for (i) the termination, winding-up or dissolution or judicial management of Champion REIT or (ii) the winding-up, dissolution, judicial management or administration of the Guarantor, the Issuer or any Principal Subsidiary; or the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution;

(g) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or substantially all of the property, assets or revenues of either the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary (as the case may be) and is not discharged within 30 days;

(h) it is or will become unlawful for the Issuer, the Guarantor, the REIT Manager or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Notes or the Trust Deed and any such unlawfulness is not remedied within 15 days;

(i) the Issuer ceases to be a direct or indirect wholly-owned Subsidiary of Champion REIT;

(j) any step is taken by any person that will result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor, Champion REIT or any Principal Subsidiary, which is material to Champion REIT and its Subsidiaries as a whole;

(k) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(a) to 10(j) (both inclusive);

(l) the Guarantee ceases for any reason to be in full force and effect or it becomes impossible for the Guarantor to perform any of its obligations thereunder;

(m) any steps are taken for the termination, winding up or dissolution of Champion REIT.

The Issuer shall (i) inform the Trustee immediately upon becoming aware that one of the events set out above in this Condition 10 has occurred and (ii) provide all relevant information in respect of such event to the Trustee.

For the purposes of this Condition 10:

"**Principal Subsidiary**" means any Subsidiary of Champion REIT:

(a) whose gross assets (or, in the case of a Subsidiary which itself has subsidiaries, gross consolidated assets), as shown by its latest audited balance sheet (or, in the case of a Subsidiary which itself has subsidiaries, by an unaudited pro forma consolidated balance sheet prepared for this purpose by the REIT Manager) are at least 5 per cent. of the gross consolidated assets of Champion REIT and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of Champion REIT and its Subsidiaries, provided that:

   (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of Champion REIT and its Subsidiaries relate, the reference to the then latest consolidated audited accounts of Champion REIT and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of Champion REIT for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Champion and its Subsidiaries adjusted to consolidate the latest audited accounts of such Subsidiary (or, in the case of a Subsidiary which itself has subsidiaries, the latest unaudited pro forma consolidated accounts prepared for this purpose by the REIT Manager) in such accounts;

   (ii) if at any relevant time in relation to Champion REIT and its Subsidiaries, no consolidated accounts are prepared and audited, gross consolidated assets of Champion REIT and its Subsidiaries shall be determined on the basis of unaudited pro forma consolidated accounts prepared for this purpose by the REIT Manager;

   (iii) if at any relevant time in relation to any Subsidiary, no accounts are prepared and audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of unaudited pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the REIT Manager; or

   (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of Champion REIT, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on an unaudited pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of Champion REIT and its Subsidiaries; or

(b) any Subsidiary of Champion REIT to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary until the date on which the first published audited accounts (consolidated, if appropriate) of Champion REIT and its Subsidiaries prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a) above of this definition.

References in paragraph (a) above of the definition of "Principal Subsidiary" to pro forma accounts prepared by the REIT Manager shall, following the occurrence of an Event of Default, be read as references to unaudited pro forma accounts prepared by the REIT Manager which shall, in the case of any Subsidiary of Champion REIT which the REIT Manager claims is not a Principal Subsidiary, be reviewed by the Auditors (as defined in the Trust Deed).

Notwithstanding any other provision of these Conditions, the Notes shall become immediately due and repayable at their Early Redemption Amount plus (if applicable) accrued interest to date of repayment if Champion REIT is terminated.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing 50 per cent. or more in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, Change of Control Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the applicable Pricing Supplement in relation to such Series.

(b) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and

(ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business or of the Guarantor or its successor in business or any Subsidiary of the Guarantor or its successor in business in place of the Issuer or Guarantor or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on any report, confirmation or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

14 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes.

16 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong (which is expected to be the *South China Morning Post*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg, or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons or the Trust Deed ("**Proceedings**") may be brought in such courts. The Issuer and the Guarantor have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Service of Process:** Each of the Issuer and the Guarantor have in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer or the Guarantor to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer or the Guarantor will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer or the Guarantor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer or the Guarantor in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the applicable Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme – Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the applicable Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes: if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) with the consent of the Issuer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the applicable Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, on or after the first day following the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent or CMU Lodging and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless upon due presentation of the Global Note, exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the

Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vi) and Condition 8(d) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the words "in the relevant place of presentation" (if applicable) shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as being held by the CMU of the relevant time (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant Global Note or Global Certificate shall be required for such purpose.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note upon its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the nominal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by a member of the Group if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of the whole or any part of the holding Notes represented by the Global Certificate.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is, or any Notes represented by a Global Certificate are, held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests on the basis that such accountholders or participants were the holder(s) thereof.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the applicable Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

RISK FACTORS

In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Notes. The risks and uncertainties described below may not be the only ones that Champion REIT faces. Additional risks and uncertainties that the REIT Manager, the Issuer, Champion REIT or the Group are not aware of or that they currently believe are immaterial may also adversely affect Champion REIT's business, financial condition, results of operations and cash flow. If any of the possible events described below occur, Champion REIT's business, financial condition, results of operations and cash flow could be materially and adversely affected. In such case, the Issuer and/or the Guarantor and/or Champion REIT may not be able to satisfy their obligations under the Notes and/or the Guarantee (as applicable), and investors could lose all or part of their investment.

Risks Relating to Investments in Real Estate

There are general risks attached to investments in real estate

Investments in real estate are subject to various risks, including, but not limited to: (a) adverse changes in political or economic conditions; (b) adverse local market conditions; (c) the financial condition of tenants and buyers and sellers of properties; (d) changes in availability of debt or equity financing, which may result in an inability by Champion REIT to finance future acquisitions on favourable terms or at all; (e) changes in interest rates and other operating expenses; (f) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; (g) environmental claims arising in respect of real estate; (h) changes in market rents; (i) changes in energy prices; (j) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (k) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favorable terms; (l) inability to renew tenancies or re-let space as existing tenancies expire; (m) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise; (n) insufficiency of insurance coverage or increases in insurance premiums; (o) increases in the rate of inflation; (p) inability of the Property Manager to provide or procure the provision of adequate maintenance and other services; (q) defects affecting the portfolio properties which need to be rectified, or other required repair and maintenance of the portfolio properties, leading to unforeseen capital expenditure; (r) unapproved uses of the portfolio properties which may result in the relevant Group Company or the Registered Holder being in breach of the terms and conditions in the relevant Government Grant, which may give rise to the right on the part of the Government to terminate the Government Grant and re-enter the property; (s) the relative illiquidity of real estate investments; (t) considerable dependence on cash flows for the maintenance of, and improvements to, the portfolio properties; (u) increased operating costs, including real estate taxes; (v) any interest and/or encumbrance that cannot be or has not been revealed by a land search conducted at the Land Registry at the time of the search; (w) fire or other damage to the properties; and (x) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rental rates or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. The annual valuation of the Properties will reflect such factors and as a result may fluctuate upwards or downwards. The capital value of Champion REIT's real estate assets may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy in Hong Kong. If Champion REIT acquires any overseas properties, such overseas investments will be subject to additional risk factors generally applicable to investing outside Hong Kong (such as political and socio-economic risks, legal and regulatory risks, tax risk, repatriation risk and foreign exchange risk) and specific to the relevant overseas jurisdiction.

Adverse global and local macroeconomic conditions could adversely affect Champion REIT's business, financial condition, results of operations and cash flow

Political tension and trade war between the U.S. and China, and the outbreak of the ongoing COVID-19 pandemic, is causing significant volatility in worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. Hong Kong has also been affected by social unrest since June 2019. The effects of such instability may contribute to a decline in the economic prospects of our current and potential tenants and the economy in general, which in turn could adversely impact the property market in Hong Kong and reduce the demand for the office and retail space in our Properties. In particular, Champion REIT may be affected by, among other things, the following:

- the reduced ability of its tenants to pay rent in a timely manner or at all;

- the reduction of, or fluctuations in, demand for office and retail space, which would result in vacancies or reductions in leased space, as well as potential oversupply;

- possible downward pressure on rental rates, operating income and profits;

- the reduction of or fluctuations in liquidity, and potential difficulty in securing financing; and

- an increase in counterparty risk.

In addition to the impact of macroeconomic conditions, full economic recovery and long-term growth may be hindered by a number of factors, including inflation, energy costs, geopolitical instability and natural disasters. These and other issues resulting from the global economic slowdown and volatility in the financial markets may adversely affect Champion REIT, its tenants and its potential property purchasers, which, in turn, may lead to a decline in the general demand for the Properties. In addition, any further tightening of liquidity in the global financial markets may adversely affect Champion REIT's liquidity and access to financing. As such, in the event of global economic slowdown and turmoil in the financial markets, Champion REIT's business, financial condition, results of operations and cash flow may be adversely affected.

Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow

If the Properties have design, construction or other latent property or equipment defects, these may require capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Champion REIT's earnings and cash flows. Statutory or contractual representations, warranties and indemnities given by any seller of real estate are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

Champion REIT may suffer material losses in excess of insurance proceeds

The Properties may suffer any loss destruction or damage caused by fire, typhoon or other causes of loss and Champion REIT or the relevant property company may suffer third party claims, loss of rent which may not be fully compensated by insurance. In addition, there are other types of losses resulting from war, terrorism, nuclear radiation or radioactive contamination and business damage and interruptions losses arising from the ongoing social unrest in Hong Kong since June 2019, for which Champion REIT cannot get optimal insurance at reasonable cost. Should an uninsured loss or a loss in excess of insured limits occur, Champion REIT or the relevant property company would be required to pay compensation and/or lose the capital invested in the affected property as well as anticipated future revenue from that property. Nonetheless, Champion REIT or the relevant property holding company would remain liable for any debt or other financial obligation related to that property. Any uninsured loss could have a material adverse impact on Champion REIT's business, financial condition, results of operations and/or cash flow.

In addition, Champion REIT will have to renew its insurance policies every year and negotiate acceptable terms of coverage, pricing of insurance and market volatility. The REIT Manager will regularly monitor the state of the insurance market, but it cannot be anticipated what coverage will be available on commercially reasonable terms in future policy. Any material increase in insurance rates or reduce in coverage in future could adversely affect Champion REIT's business, financial condition, results of operations and/or cash flow.

The Properties or part thereof may be acquired compulsorily and there is a risk that their Government leases may not be renewed at the end of their terms

The Government has the power to acquire compulsorily any land in Hong Kong pursuant to the provisions of applicable legislation including the Lands Resumption Ordinance (Cap. 124) of Hong Kong, Roads (Works, Use and Compensation) Ordinance (Cap. 370) of Hong Kong, Railways Ordinance (Cap. 519) of Hong Kong, Land Acquisition (Possessory Title) Ordinance (Cap. 130) of Hong Kong, Land Drainage Ordinance (Cap. 446) of Hong Kong, Urban Renewal Authority Ordinance (Cap. 563) of Hong Kong and Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Cap. 276) of Hong Kong.

In the event of any compulsory acquisition of property in Hong Kong, the amount of compensation to be awarded is based on the open market value of the relevant property and is assessed on the basis prescribed in the relevant ordinances. If any of the Properties were acquired compulsorily by the Government, the level of compensation paid to Champion REIT pursuant to this basis of calculation may be less than the price which Champion REIT paid for such Properties and/or the market value of such Properties at the relevant time.

In addition, each of the Properties is held under a lease from the Government of Hong Kong which will expire on 30 June 2047. There is no assurance that such leases will be renewed on acceptable terms or at all.

The fair value of Champion REIT's investment properties may decline or be subject to a high degree of volatility in the future and the valuation of Champion REIT's properties may prove to be unrepresentative of an investment in Champion REIT

The valuation of the Properties was prepared by the Independent Property Valuer. In conducting its valuation, the Independent Property Valuer used principally the income capitalisation approach, counter checked by the direct comparison approach. The valuation was based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the Independent Property Valuer in particular, include a subjective determination of certain factors relating to the Properties, such as its relative market position, financial and competitive strengths, location, and physical condition.

Accordingly, there can be no assurance that the assumptions are correct or that the Properties were valued accurately. Cyclical changes in valuation parameters such as availability of credit, interest rates, investor sentiment could result in significant fluctuations in the fair value of investment properties of Champion REIT and Champion REIT's net asset value. There is no assurance that the fair value of any investment properties that Champion REIT presently owns has not already changed since the last valuation date.

The appraised value of a property is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which Champion REIT may sell the Properties or any portion thereof, either at the present time or at any time in the future, may be lower than the Appraised Value or the initial acquisition price of the Properties. For the year ended 31 December 2019, Champion REIT reported a loss mainly due to the drop in fair value of investment properties.

Risks relating more specifically to Champion REIT's Property Portfolio

Champion REIT may be adversely affected by the concentration and illiquidity of property investments

Champion REIT invests in two large property projects in the office and retail sectors in the same city, which entails a higher level of risk than a portfolio which has a more diverse usage and large number of investments spread over a large geographical area. Property investments are relatively illiquid, particularly investments in large high value properties such as those in which Champion REIT has already invested. Such illiquidity may affect Champion REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. For example, Champion REIT may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, Champion REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real property due to the illiquid nature of its property assets. These factors could have an adverse effect on Champion REIT's business, financial condition, results of operations and cash flow.

Champion REIT is exposed to cyclicality and volatility in the Central Grade A office building rental property market and retail property market in Hong Kong

For the financial year ended 31 December 2019, over 54 per cent. of Champion REIT's revenue was generated from the Three Garden Road Property which is located in the Central district of Hong Kong. Historically, the office rental property market in Central district has been volatile and has experienced significant price fluctuations. In particular, property values and rental rates for Central district are subject to cyclicality and volatility in excess of the other office districts in Hong Kong because of the concentration of financial institutions in Central. In the past 20 years, rent levels have fallen significantly during various periods such as the rental market downturns caused by the Asian financial crisis in 1998, the dot com bust in 2001, the SARS outbreak in 2003, the global financial crisis in 2009 and the European debt crisis in 2011, and could be negatively affected by the ongoing political tension and trade war between the U.S. and China and the outbreak of the ongoing COVID-19 pandemic. There is no assurance that rental rates and property values in Central district will not decline from present levels or experience a high degree of volatility in the future.

A significant portion of Champion REIT's revenue is also derived from the retail property market of Hong Kong. Rents in the retail sector are dependent on tenant sales and these in turn are affected by consumer spending. Domestic retail spending is affected by factors such as the rate of economic growth, salary increases and inflation in Hong Kong. Also, local consumer spending is gradually shifting from physical shops to online purchases due to the rise of many popular online shopping platforms and convenient payment options, particularly in times when the Hong Kong dollar is relatively strong. Tourist spending also has an effect on the retail property market of Hong Kong. Factors affecting tourist arrivals and spending include disease outbreaks and political developments in Hong Kong and mainland China, travel restrictions and changes in sales taxes in mainland China, the purchasing power parity of Hong Kong compared to other countries, currency fluctuations in and the economic prosperity of certain countries where the bulk of Hong Kong's tourists come from.

2019 was an extremely challenging year for the Hong Kong office and retail sector. Although the office rental segment of Champion REIT's Property Portfolio is expected to be less vulnerable than the retail segment given that the market rates of both the Three Garden Road Property and the Langham Place Office Property are slightly above the passing rents, the sluggish trend of the office rental property market in Central district is expected to remain in 2020 because of dampened business sentiments amid the social unrest in Hong Kong since June 2019, the political tension and trade war between the U.S. and China and the ongoing COVID-19 pandemic. The slowdown in retail sales, which started in the beginning of 2019, deepened in the second half of the year on flagging local economic conditions as well as protracted social unrest. The dampened consumer sentiment and disruptions to inbound tourism resulted in a 11.1 per cent. decline in Hong Kong retail sales. Langham Place Mall recorded a drop of 19.4 per cent. in tenant sales in 2019. Business for shops focusing on mainland Chinese tourists in particular suffered from the disruptions. Access to the mall was partially affected by closure of the Mongkok MTR station on certain days and blockage of roads due to confrontations in surrounding areas, causing a low double-digit fall in footfall in 2019. The decline in footfall is expected to continue in 2020 as the COVID-19 pandemic affects tourism and consumer spending. With the imposition of mandatory home quarantine and other travel restriction imposed by the Government due to COVID-19 it is expected that Champion REIT's business is and will continue to be impacted.

If the financial performance of Champion REIT's tenants was to decline significantly because of a retail downturn or poor business environment, some of these tenants could decide not to renew their tenancy agreements or to terminate their tenancy agreements before they expire (in cases where tenants have termination rights exercisable by written notice), or alternatively seek to re-negotiate the terms of their leases, temporary rental concessions and/or early surrender. Some tenants could also be unable to pay their rents or expense recovery charges. In the event of defaults, Champion REIT is likely to experience delays and costs in enforcing its rights as landlord. Any loss of tenants will result in reduced occupancy which will negatively impact Champion REIT's revenue. In addition, there could be a delay in finding replacement tenants, and Champion REIT could be required to reduce rent in order to secure them. Any decline in the business environment in Hong Kong could have a material adverse effect on Champion REIT's business, financial condition, results of operations and cash flow.

Champion REIT's financial condition, results of operations and level of distributions to Unitholders may be adversely impacted if it undertakes Property Development and Related Activities

Pursuant to the REIT Code and the Trust Deed, Champion REIT may undertake property development activities including both new development projects and the redevelopment ("**Property Development and Related Activities**") subject to certain restrictions as prescribed under the REIT Code and REIT Trust Deed. In the event that Champion REIT undertakes Property Development and Related Activities, it may be exposed to the following risks:

(a) **Construction risk.** The progress and costs of Property Development and Related Activities may be affected by factors such as shortages of materials, equipment, contractors and skilled labour, labour disputes, construction accidents, natural catastrophes and adverse weather conditions. By undertaking Property Development and Related Activities, Champion REIT will be exposed to the price volatility of labour and construction materials during various stages of development of property. If the costs of labour or construction materials increase significantly, and Champion REIT cannot offset such increase by reducing other costs, this may adversely impact Champion REIT's financial condition, results of operations and level of distributions to Unitholders.

(b) **Risk of default of the construction project counterparties.** If Champion REIT engages third party contractors to carry out various works in relation to Property Development and Related Activities, it cannot guarantee that the services rendered by such third party contractors will always be satisfactory or match Champion REIT's expected quality and safety standards and its timing requirements. Champion REIT's contractors may undertake projects for other development companies thereby diverting resources or may encounter financial or other difficulties, which may cause delay in the completion of Champion REIT's property developments or increase the costs of construction. This in turn may adversely impact Champion REIT's financial condition, results of operations and level of distributions to Unitholders.

(c) **Risk of failure or delays in obtaining governmental approvals.** In order to develop and complete a property development, various governmental permits, licences, certificates and other regulatory approvals at various stages of the property development process are required. Each approval is dependent on the satisfaction of certain conditions. Champion REIT may encounter problems or delays in obtaining such approvals or in fulfilling the conditions required for obtaining the approvals. If Champion REIT fails to obtain the approvals or to fulfill the conditions of those approvals for its property developments in a timely manner, or at all, these property developments may not proceed on schedule. In addition, if there is any change in local legislation, rules and regulations relating to property development, Champion REIT may need to revise its original property development plan, leading to extra cost and time needed for completion. This in turn may adversely impact Champion REIT's financial condition, results of operations and level of distributions to Unitholders.

(d) **Risk of rising financing costs.** Property development projects typically require substantial capital expenditures prior to and during the construction period. Champion REIT may have to obtain debt facilities to finance the construction project. There is a risk that Champion REIT may not be able to source and secure adequate financing to complete a development project. Fluctuations in interest rates may increase the financing costs incurred from the loan agreements and may have an adverse impact on the level of distributions to Unitholders. Changes in the business environment during the construction period, such as fluctuations in rental yield and property value, may affect the cost of the development, which in turn may result in rising financing costs of the project that may adversely impact Champion REIT's financial condition, results of operations and level of distributions to Unitholders.

(e) **Risk of disputes with partners.** Champion REIT may undertake Property Development and Related Activities through joint ventures or in collaboration with third parties, subject to requirements under the REIT Code. Such joint venture arrangements or collaboration involve a number of risks, including disputes with partners in connection with the performance of their obligations under the relevant project, joint venture or cooperative property development agreements, disputes as to the scope of each party's responsibilities under these arrangements, financial difficulties encountered by Champion REIT's partners affecting their ability to perform their obligations under the relevant project, joint venture or cooperative property development agreements with Champion REIT, or conflicts between the policies or objectives adopted by such partners and those adopted by Champion REIT. These disputes may lead to disputes or legal proceedings and may result in damage to Champion REIT's reputation, incurrence of substantial costs and the diversion of resources and management's attention. The occurrence of any of the foregoing and other related factors could adversely affect Champion REIT's financial condition, results of operations and level of distributions to Unitholders.

(f) **Risk of delay and impact on income.** During the period that Property Development and Related Activities are undertaken, Champion REIT may receive reduced or no income in respect of all or part of the underlying property. Such period may be extended if, for the reasons noted above, completion of the Property Development and Related Activities is delayed. This in turn may adversely impact Champion REIT's financial condition, results of operations and level of distributions to Unitholders.

The tenancies of the Properties are generally for, or subject to rent reviews within, periods of up to three years and Champion REIT may be unable to renew tenancies, lease vacant space or release space as tenancies expire at the same or at higher rents or at all

Tenancies for the Properties are generally for periods of two to three years or less or subject to rent reviews within such periods, which reflects the general practice in the Hong Kong office and retail property market for tenancies. This is generally shorter than the general practice in many other property markets around the world. As a result, the Properties experience lease cycles in which a significant number of the tenancies expire each year. This frequency of renewals makes Champion REIT more susceptible to rental market fluctuations. Champion REIT may not be able to secure replacement tenants at rent rates equal to or higher than those of the expiring tenancies, may not be able to secure replacement tenants in time so as to minimise vacant periods in between tenancies and may not be able to obtain rental rates equal to or above the current rental rates for tenancies subject to rent review. If the rental rates for the Properties decrease, Champion REIT's existing tenants do not renew their tenancies or Champion REIT does not or is unable to re-lease a significant portion of its vacant space and space for which tenancies are scheduled to expire, Champion REIT's business, financial condition, results of operations and cash flow may be adversely affected.

The loss of key tenants could reduce Champion REIT's rental income and have an adverse effect on its business, financial condition, results of operations and cash flow

Champion REIT depends on a number of major tenants, with the top five tenants of Three Garden Road Property and Langham Place Property occupying 38.9 per cent. and 38.8 per cent. of the total Lettable Area of the respective Properties. These major tenants may experience a downturn in their business, which may weaken their financial conditions and result in their failure to make timely rental payments or a default by them under their tenancies. The tenants may also fail to renew their tenancies for other reasons. If any key tenant defaults, terminates its tenancy, fails to make timely rental payments, or fails to renew its tenancy, Champion REIT may experience delays in enforcing its rights as landlord, may incur substantial costs in protecting its investment and may be unable to re-let the relevant space.

Champion REIT faces significant competition

The office and retail property markets in Hong Kong are highly competitive. Principal competitive factors include rental rates, building quality, prestige and location of properties, availability of nearby amenities and supply of comparable space. The Three Garden Road Property competes primarily with other premium Grade A office buildings in Hong Kong's Central district, including office space in Cheung Kong Center, Exchange Square, International Finance Centre, Pacific Place, Landmark, AIA Central and Chater House, as well as the upcoming new developments, such as the Murray Road Carpark re-development project and Hutchinson House re-development project. The Langham Place Office Tower competes primarily with other Grade A office buildings in Hong Kong's Yau Tsim-Mong district, including office space in K11 ATELIER Victoria Dockside, T.O.P, The Gateway and Grand Century Place. The Langham Place Mall competes primarily with shopping malls in the Yau-Tsim-Mong district such as i-Square, K-11, K-11 Musea, T.O.P., The ONE, MOKO and Olympian City. Due to an increasing decentralisation trend, Champion REIT's properties also compete indirectly with office and retail properties in other districts of Hong Kong, such as Pacific Place, Island East, Kowloon East CBD2 and International Commerce Centre. Champion REIT will also compete against other property companies in Hong Kong and overseas for property acquisitions and property related investments. Such competition is primarily for tenants, and may affect Champion REIT's ability to maintain existing occupancy and rental rates in respect of the Properties. In order to avoid falling occupancy and rental rates, rents and charges may need to be lowered, additional capital improvements may need to be made or additional tenant inducements may need to be offered, all of which could reduce Champion REIT's rental income and consequentially, adversely affect Champion REIT's business, financial condition, results of operations and cash flow. A more competitive business environment among retail tenants may also have a detrimental effect on their business and consequentially, their ability to pay rent.

Risks Relating to Champion REIT's Organisation and Operations

Champion REIT may have to raise further equity and/or debt to fund stamp duty payment required in connection with the Property Sale and Purchase Agreements and the amount of such stamp duty may differ from the REIT Manager's assessment

Pursuant to the Property Sale and Purchase Agreements (as supplemented) each entered into between a Predecessor Property Company and the relevant Present Property Company, each Present Property Company agreed to acquire the relevant portion of the Three Garden Road Property owned by the relevant Predecessor Property Company.

It is expected that legal assignment of the relevant portion of the Three Garden Road Property to the Present Property Companies under the Property Sale and Purchase Agreements will not take place in the near future. Based on tax advice received from leading counsel at the relevant time, stamp duty will only be payable on and at the time of the legal assignment, at the then prevailing Hong Kong ad valorem stamp duty rate, and the amount of such stamp duty is determined on the basis of the higher of (a) the consideration of the transfer of the relevant portion of the Three Garden Road Property as stated in the Property Sale and Purchase Agreements; and (b) the market value of the relevant portion of the Three Garden Road Property as at the date of the Property Sale and Purchase Agreements. Although the REIT Manager believes that the consideration as stated in the Property Sale and Purchase Agreements reflects the market value of the relevant portion of the Three Garden Road Property, there is no assurance that the stated consideration will be accepted as the value of the relevant portion of the Three Garden Road Property on which Hong Kong ad valorem stamp duty is charged. Further, there is also no assurance that taxation legislation in Hong Kong will not change in a manner so as to require Hong Kong *ad valorem* stamp duty to be paid on the value of the relevant portion of the Three Garden Road Property as at the date of the legal assignment.

The accrued stamp duty payable on the legal assignment of the relevant portion of the Three Garden Road Property amounts to approximately HK$963.5 million at the current Hong Kong ad valorem stamp duty rate of 4.25%, based on the stated consideration of HK$22,670,000,000 in the Property Sale and Purchase Agreements. As Champion REIT is required under the REIT Code to distribute at least 90% of its adjusted audited annual net income after tax each year, Champion REIT may not have sufficient cash resources to pay such stamp duty and may therefore have to wholly or partly fund such payment by raising further equity and/or debt in accordance with the REIT Code and its accounting policies. There is no assurance that Champion REIT will be able to raise additional equity or debt, should that become necessary, on terms acceptable to it or at all.

Champion REIT depends on certain key personnel, and the loss of any key personnel may adversely affect its business, financial condition, results of operations and cash flow

Champion REIT's success depends, in part, upon the continued service and performance of the REIT Manager's key executive officers, Ms. Wong Ka Ki, Ada, Ms. Luk Ka Ping, Amy, Mr. Leung Kin Shan, Mr. Kwong Chi Kwong, Ms. Lau Yee Tong, Yvonne, Ms. Sung Kar Wai, Rosana and certain other key senior personnel. These persons may leave the REIT Manager in the future, and may also thereafter compete with the REIT Manager and Champion REIT. The loss of any of these individuals could have a material adverse effect on Champion REIT's business, financial condition, results of operations and cash flow. Further, insofar as certain of these individuals are designated as responsible officers of the REIT Manager for the purposes of the REIT Manager's licensing by the SFC to conduct the regulated activity of asset management, the loss of one or more of such individuals may affect the REIT Manager's ability to continue to satisfy the licensing requirement on the REIT Manager to have a minimum number of responsible officers, which in turn could affect the REIT Manager's eligibility to continue as the manager of Champion REIT and Champion REIT's continued authorisation by the SFC as a Hong Kong collective investment scheme authorised under section 104 of the SFO.

The REIT Manager may not be able to implement its strategies for growth

The REIT Manager has established clear plans and specific strategies to accomplish sustainable long-term growth, but there can be no assurance that it will be able to implement such plans successfully or that it will be able to do so in a timely and cost-effective manner.

For example, Champion REIT's acquisition strategy is constrained by the REIT Trust Deed which requires Champion REIT to distribute to Unitholders as dividends an amount no less than 90 per cent. of its Annual Distributable Income for each financial year. A similar constraint is also set out in the REIT Code. Because of this distribution requirement, Champion REIT may not be able to fund future capital needs, including any necessary acquisition financing, from its operating cash flows. Consequently, it may need to rely on external sources of funding to expand its portfolio, which may not be available on favorable terms or at all. If Champion REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist or satisfy its debt service obligations. This would in turn adversely affect Champion REIT's long-term growth prospects.

There are risks to leveraging and limitations on Champion REIT's ability to leverage

Champion REIT is expected to use leverage in connection with its investments. In addition, Champion REIT may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. As at 31 December 2019, the Borrowings to total assets ratio of Champion REIT was 18.0 per cent. Please refer to the section "Capitalisation" of this Offering Circular for further information on the capitalisation of Champion REIT as at 31 December 2019.

Borrowings by Champion REIT are limited by the REIT Code to no more than 45 per cent. of its total gross asset value. However, if a downward revaluation of the Properties occurs, Champion REIT may exceed the 45 per cent. borrowing limit even without incurring any additional borrowing. Therefore, there can be no assurance that Champion REIT's borrowings will remain at all times below 45 per cent. of its gross asset value, following any revaluation of assets or otherwise. From time to time, Champion REIT may need to draw down on its banking facilities and use overdrafts, but may be unable to do so due to the 45 per cent. borrowing limit prescribed by the REIT Code. Further, Champion REIT's indebtedness means that a portion of its expected cash flow may be required to be dedicated to the payment of interest on its indebtedness, thereby reducing the funds available to Champion REIT for use in its general business operations.

Champion REIT may also face difficulties in securing timely and commercially favourable financing in asset-backed lending transactions secured by real estate or in unsecured lending. In addition, the use of leverage may increase the exposure of Champion REIT to adverse economic factors such as rising interest rates and economic downturns. Champion REIT is subject to general risks associated with debt financing, including the risk of: (i) there being insufficient cash flow to meet payment of principal and repayment of capital requirements; and (ii) not being able to maintain debts at optimum levels in the future due to a lack of capacity in the lending market and/or an unfavourable interest rate environment. As such, if Champion REIT is unable to refinance its debt to meet its scheduled repayments or is unable to borrow at favourable interest rates, Champion REIT's business, financial condition, results of operations and cash flow may be adversely affected.

Certain parts of the Properties are mortgaged and claims of Noteholders are effectively subordinated to those of the secured creditors of Champion REIT

Certain parts of the Properties have been mortgaged to secure payments under certain facilities of the Group. In addition, in the future, the REIT Manager may decide to mortgage other properties that are owned by Champion REIT. If Champion REIT defaults in its payment obligations, mortgagees to the related mortgaged property could require a forced sale of such property with a consequential loss of income and asset value to Champion REIT. The amount to be received upon a forced sale of any property would be dependent on numerous factors, including the actual fair market valuation of such property at the time of such sale, the timing and manner of the sale and the availability of buyers. In the event of a forced sale, it is possible Champion REIT would be forced to agree to a substantial reduction in the actual fair market valuation of the property being sold.

The rights of the Noteholders to receive payments under the Notes are effectively subordinated to the rights of existing and future secured creditors of Champion REIT. In the event of a default on the Notes or under other indebtedness or upon Champion REIT's bankruptcy, liquidation or reorganisation, any secured indebtedness of third party creditors of Champion REIT would effectively be senior to the Notes to the extent of the value of the property securing such indebtedness.

Claims by Noteholders are structurally subordinated to those of the Group Companies

The Issuer is a special purpose vehicle and Champion REIT's properties are held through various Group Companies. As a result the ability of the Issuer and the Guarantor to make payments in respect of the Notes depends largely on their timely receipt of remittances of funds from the Group Companies. The ability of the Group Companies to make such remittances to the Issuer and/or the Guarantor may be subject to the profitability of the Group and applicable laws. Payments by other Group Companies to the Issuer and/or the Guarantor are structurally subordinated to all existing and future liabilities and obligations of the Group Companies. Claims of creditors of such Group Companies will have priority as to the assets of such Group Companies over the Noteholders.

Enforcement of the Guarantee

Noteholders should note that the Guarantee is issued by the Guarantor, and not Champion REIT, since Champion REIT is not a legal entity. Noteholders should note that under the terms of the Guarantee, Noteholders shall only have recourse in respect of the Guarantee to the assets comprising the Deposited Property which HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Champion REIT) has recourse to under the REIT Trust Deed and not to HSBC Institutional Trust Services (Asia) Limited personally nor any other properties held by HSBC Institutional Trust Services (Asia) Limited as trustee of any trust other than Champion REIT. Further, Noteholders do not have direct access to the Deposited Property and can only gain access to the Deposited Property through the Guarantor and if necessary seek to subrogate to the Guarantor's right of indemnity out of the Deposited Property, and accordingly, any claim of the Noteholders to the Deposited Property is derivative in nature. A Noteholder's right of subrogation therefore could be limited by the Guarantor's right of indemnity under the REIT Trust Deed. Noteholders should also note that such right of indemnity of the Guarantor may be limited or lost through fraud, negligence, wilful default, breach of trust, breach of the REIT Trust Deed or breach of the REIT Code or other applicable laws.

The Relevant Investments of Champion REIT are exposed to common risks associated with the investments in securities

Pursuant to the REIT Code and the Trust Deed, Champion REIT may invest in the following investments subject to certain caps: (a) securities listed on the Hong Kong Stock Exchange or other internationally recognised stock exchange; (b) unlisted debt securities; (c) government and other public securities; and (d) local or overseas property funds ("**Relevant Investments**"). As at 31 December 2019, the total carrying amount of the Relevant Investments in Champion REIT's portfolio is approximately HK$215.1 million. Investments in Relevant Investment may involve, without limitation, the following risks:

(a) **Market risk.** If Champion REIT invests in the Relevant Investments in the nature of equity securities, debt securities or property funds, it will be vulnerable to the risk that the market as a whole, or certain parts of the market where it has invested in declines or drops. The value of stocks, debt securities and property funds will fluctuate in response to general market and economic conditions. Champion REIT will also be exposed to changes in commodity prices, foreign exchange rates and interest rates. Since Hong Kong dollar is pegged to the US dollar, interest rate movements in Hong Kong can be directly influenced by interest rate movements in the

United States. An increase in interest rate will adversely impact the value of debt securities. In addition, there is inflation risk, as the return on debt securities such as bond investments will be affected if commodity prices go up. Such market fluctuations may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders.

(b) **Default/Credit risk**. Champion REIT may face financial loss if an issuer or counterparty to the Relevant Investments defaults in payment, or experiences a decline in its payment capacity. A corporate event such as a merger or takeover may lower the credit rating of the issuer. Such decline in the credit quality of an issuer may adversely impact the value of the Relevant Investments.

(c) **Price volatility risk.** There is a risk that substantial fluctuations in the price of a financial instrument will affect the investment negatively. In the case of equity securities, stock prices may be very volatile and unpredictable subject to different market and economic factors both locally and internationally. The Hong Kong stock market is highly open and it is therefore influenced by economic issues in all major markets. In addition, a stock can be suspended from trading, during which time Champion REIT will not be able to buy or sell such stock. The price of the stock may move due to both market and business risk changes during the period of suspension. These fluctuations can be unpredictable, and such occurrences could adversely affect Champion REIT's financial conditions and results of operations.

(d) **Liquidity risk.** There is a risk that Champion REIT cannot sell a sufficient amount of the Relevant Investments at a time that it wishes and at a satisfactory price because demand in the Relevant Investments is low at a particular time, notwithstanding the Relevant Investments being generally liquid and transparently priced. In such circumstances, Champion REIT may be forced to sell the Relevant Investments on unfavourable terms.

(e) **Management and policy risk.** There is a risk that a company that Champion REIT invests in has improper management practices, conducts a transaction that is detrimental to Champion REIT's interests as an investor or, in the case of property funds, poor performance by fund managers. Such actions by management of the relevant company or fund managers may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders. Changes in government policies and regulations, both locally and internationally, could have profound impact on equity securities in the relevant sectors or industries.

(f) **Risk in relation to property funds.** Investments in local or overseas property funds may involve other additional risks. There is no assurance that a property fund will achieve its investment objective and strategy. A property fund will be highly susceptible to the relevant real estate market conditions if it concentrates its investment in a single property or asset class. In the case of overseas property funds, changes in exchange rates may have an adverse effect on the value of the fund's assets. Also, investing overseas will entail country/regional risks, as well as political risks.

Risks relating to the Notes issued under the Programme

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference of this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There may be uncertainty in relation to marketing under the AIFMD in the EU

Under the AIFMD and the Commission Delegated Regulation (EU) 231/2013 of 19 December 2012 and relevant guidance issued by the European Securities and Markets Authority, the marketing of an alternative investment fund (an "**AIF**") in an EEA jurisdiction and/or the UK is prohibited unless certain criteria are met. It is intended that, by marketing Notes only in the Approved Jurisdictions (as specified in the applicable Pricing Supplement), there will be no requirement to comply with the AIFMD. There is, however, a risk in some EEA jurisdictions and the UK that an issuance of notes by an AIF could be characterised as marketing shares or units for the purposes of the AIFMD. In this case, any issuance of notes could only be marketed in the EEA and the UK in accordance with the marketing restrictions applicable to AIFs and any marketing not in accordance with those rules would be a breach of regulatory requirements. Such characterisation may therefore affect the liquidity of the Notes. It may also affect the regulatory treatment of the Notes for certain types of investor.

Noteholder meetings

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting the Noteholders' interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the Notes

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary or nominee of such common depositary for Euroclear and Clearstream, Luxembourg, or lodged with CMU (each of Euroclear, Clearstream, Luxembourg, and CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, Noteholders will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and the Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, Noteholders will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or in the case of the CMU, to the CMU Lodging and Paying Agent, which will in turn pay to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other notification by the CMU. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the REIT Manager has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes and the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or with the consent of the Issuer. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer and the Guarantor (including rights to receive principal or interest or to vote) in respect of such Notes.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes to be redeemed. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption maybe less than the nominal amount of such Notes or even zero.

The regulatory reform and changes to "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks", are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Future discontinuation of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and LIBOR has been selected as the Reference Rate, the Terms and Conditions of the Notes provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where LIBOR is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Terms and Conditions of the Notes provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued, and if LIBOR is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the Floating Rate Notes, so that the Floating Rate Notes will, in effect, become fixed rate notes utilising the last available LIBOR rate. Uncertainty as to the continuation of LIBOR, the availability of quotes from reference banks, and the rate that would be applicable if LIBOR is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is a "LIBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks.

If LIBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.]

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

If the Issuer does not satisfy the Issuer's obligations under the Notes, Noteholders' remedies will be limited

Payment of principal of the Notes may be accelerated only in the event of certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "Terms and Conditions of the Notes – Events of Default".

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including without limitation giving of notice to the Issuer pursuant to Condition 10 and taking enforcement steps pursuant to Condition 12), the Trustee may (at its sole discretion) request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations, and it will be for the holders of the Notes to take such actions directly if so provided by the agreements and permitted by the applicable law.

Risks relating to Renminbi-denominated Notes

Notes denominated in RMB (the "**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC

Renminbi is not a freely convertible currency. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. However, remittance of Renminbi into and out of Mainland China for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in Mainland China on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China ("**PBOC**") in 2018 and despite a movement towards liberalisation of cross-border RMB remittances, notably in the current account activity, and the permission for certain participating banks in Hong Kong to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that Renminbi funds cannot be repatriated out of Mainland China, this may affect the overall availability of Renminbi outside Mainland China and the Issuer's and Guarantor's ability to source Renminbi to finance its obligations under the RMB Notes.

Holders of beneficial interests in the Notes denominated in Renminbi may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to personal and business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong and has appointed Bank of China (Hong Kong) Limited ("**BOCHK**") as the clearing bank for Renminbi business in Hong Kong (the "**RMB Clearing Bank**"). In November 2011, a new Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") was signed between the PBOC and BOCHK re-appointing BOCHK as the RMB Clearing Bank.

The permitted scope of Renminbi business for participating banks in Hong Kong has expanded gradually in the past few years. Among other things, in August 2011 participating banks were allowed to offer Renminbi services to non-Hong Kong resident personal customers and, in November 2014, the previous conversion limits applicable to Renminbi conversion services offered by participating banks to Hong Kong resident personal customers (which limited conversions to RMB 20,000 per person per day) were uplifted.

Pursuant to the current arrangements, all corporations as well as resident and non-resident personal customers are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations and personal customers to convert Renminbi (other than as provided in the following paragraph); and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions and is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Until April 2013, authorised institutions in Hong Kong were subject to special Renminbi liquidity ratio requirements imposed by the Hong Kong Monetary Authority ("**HKMA**") which further limited the availability of Renminbi that they could utilise for conversion services for their customers. Those special requirements were uplifted in April 2013. However, the HKMA expects that participating banks manage their foreign exchange liquidity positions (whether or not Renminbi-related) prudently.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or that the Settlement Agreement will not be terminated or amended or that the HKMA will not impose regulatory restrictions on participating banks in Hong Kong in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes

All payments to investors in respect of RMB Notes will be made solely by (i) in the case of RMB Notes represented by global certificates lodged with a sub-custodian for or registered with the CMU, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (ii) in the case of RMB Notes represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearstream, Luxembourg and Euroclear or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong, or (iii) in the case of RMB Notes in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax ("**EIT**") Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject EIT or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The EIT Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of RMB Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of RMB Notes.

However, uncertainty remains as to whether the gain realised from the transfer of RMB Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC EIT Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, non-PRC enterprise or individual resident Holders may be required to pay PRC income tax on gains derived from the transfer of RMB Notes, unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of RMB Notes reside that reduces or exempts the relevant EIT or IIT.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the specified currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the specified currency would decrease (1) the Investor's Currency – equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings assigned to the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme shall be used for the refinancing of indebtedness of Champion REIT and/or other general corporate purposes of Champion REIT or as may be disclosed in the relevant pricing supplement.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of Champion REIT as at and for the years ended 31 December 2017, 31 December 2018 and 31 December 2019. The summary consolidated financial information as at and for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 has been derived from Champion REIT's published audited consolidated financial statements for the years ended 31 December 2018 and 31 December 2019, including the notes thereto.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Rental income	2,396,316	2,641,489	2,742,400
Building management fee income	268,878	287,726	302,527
Rental related income	34,705	35,757	35,742
Total revenue	**2,699,899**	**2,964,972**	**3,080,669**
Property operating expenses	(533,585)	(559,649)	(600,027)
Net property income	**2,166,314**	**2,405,323**	**2,480,642**
Interest income	17,729	28,182	41,317
Manager's fee	(259,958)	(288,639)	(297,677)
Trust and other expenses	(20,667)	(27,399)	(23,895)
Increase (decrease) in fair value of investment properties	9,850,151	6,411,601	(1,994,379)
Finance costs	(348,638)	(428,187)	(485,470)
Profit (loss) before tax and distribution to unitholders	**11,404,931**	**8,100,881**	**(279,462)**
Income taxes	(265,279)	(288,824)	(290,860)
Profit (loss) for the year, before distribution to unitholders	**11,139,652**	**7,812,057**	**(570,322)**
Distribution to unitholders	(1,412,730)	(1,530,045)	(1,565,536)
Profit (loss) for the year, after distribution to unitholders	**9,726,922**	**6,282,012**	**(2,135,858)**
Basic earnings (loss) per unit	**HK$1.92**	**HK$1.34**	**HK$(0.10)**

There were no dilutive potential units during the years ended 31 December 2017, 31 December 2018 and 31 December 2019, therefore the diluted earnings (loss) per unit has not been presented.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Non-current assets			
Investment properties	76,704,000	83,135,000	81,178,000
Notes receivables	220,531	218,705	215,093
Derivative financial instruments	36,587	39,399	61,007
Total non-current assets	**76,961,118**	**83,393,104**	**81,454,100**
Current assets			
Trade and other receivables	294,910	296,849	259,364
Tax recoverable	6,421	1,022	608
Derivative financial instruments	–	–	3,419
Time deposit with original maturity over three months	–	200,000	200,000
Bank balances and cash	1,190,389	1,399,530	1,761,655
Total current assets	**1,491,720**	**1,897,401**	**2,225,046**
Total assets	**78,452,838**	**85,290,505**	**83,679,146**
Current liabilities			
Trade and other payables	1,338,049	1,337,168	1,393,805
Deposits received	652,685	761,175	799,552
Tax liabilities	38,921	30,363	279,194
Distribution payable	730,979	799,023	783,505
Bank borrowings	–	3,696,715	843,510
Medium term notes	–	–	199,929
Total current liabilities	**2,760,634**	**6,624,444**	**4,299,495**
Non-current liabilities, excluding net assets attributable to unitholders			
Bank borrowings	10,172,623	5,771,097	8,597,553
Medium term notes	4,612,054	5,536,292	5,326,277
Derivative financial instruments	17,674	17,860	–
Deferred tax liabilities	538,611	579,884	621,499
Total non-current liabilities, excluding net assets attributable to unitholders	**15,340,962**	**11,905,133**	**14,545,329**
Total liabilities, excluding net assets attributable to unitholders	**18,101,596**	**18,529,577**	**18,844,824**
Net assets attributable to unitholders	**60,351,242**	**66,760,928**	**64,834,322**
Number of units in issue ('000)	**5,823,028**	**5,847,093**	**5,872,789**
Net asset value per unit	**HK$10.36**	**HK$11.42**	**HK$11.04**

CAPITALISATION

The following table sets out the audited consolidated capitalisation of Champion REIT as at 31 December 2019:

	As at 31 December 2019
	(HK$'000)
Short-term borrowings	
Bank loans due within one year	843,510
Medium term notes	199,929
Total short-term borrowings	**1,043,439**
Long-term borrowings	
Bank loans due after one year	8,597,553
Medium term notes	5,326,277
Total long-term borrowings	**13,923,830**
Total borrowings	**14,967,269**
Net assets attributable to Unitholders	
Issued units	24,564,410
Reserves	40,269,912
Total net assets attributable to Unitholders	**64,834,322**
Total capitalisation(1)	**79,801,591**

Note:

(1) Total capitalisation represents the sum of total borrowings and total net assets attributable to Unitholders.

There has been no material change in the capitalisation of Champion REIT since 31 December 2019 up to the Latest Practicable Date.

THE ISSUER

Incorporation

The Issuer is a company indirectly wholly-owned by the REIT Trustee in its capacity as trustee of Champion REIT and was incorporated on 1 November 2012 with limited liability under the laws of the Cayman Islands. The registered office of the Issuer is located at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

Business activities

The Issuer, whose primary purpose is to act as a financing subsidiary of Champion REIT, will remain indirectly wholly-owned by the REIT Trustee in its capacity as trustee of Champion REIT for the duration of this Programme.

The Issuer has no material assets. The Issuer has not engaged, since its incorporation, in any material activities other than: (i) those regarding or incidental to its registration and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party; and (ii) the issuance of Notes under this Programme and hedging activities relating to the Programme since its establishment. The Issuer will not, for the duration of this Programme, engage in any business activity other than in connection with the issue of any Notes under this Programme and hedging activities relating thereto.

Directors

The directors of the Issuer are Dr. Lo Ka Shui, Ms. Wong Ka Ki, Ada and Ms. Sung Kar Wai, Rosana. Further information on the particulars and experience of the directors are set forth in "Management and Executive Officers of the REIT Manager". The Issuer does not have any employees.

Share capital

The authorised share capital of the Issuer is U.S.$50,000 divided into 50,000 ordinary shares of U.S.$1 par value each, of which one ordinary share is issued and paid-up. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

CHAMPION REIT

1. Overview

Champion REIT is a real estate investment trust established by the REIT Trust Deed on 26 April 2006, and has been listed on the Hong Kong Stock Exchange since 24 May 2006.

As at the date of this Offering Circular, Champion REIT offers investors direct exposure to approximately 2.93 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Three Garden Road (on Hong Kong Island) and Langham Place (in Kowloon). As at the Latest Practicable Date, the market capitalisation of Champion REIT was approximately HK$26.3 billion, making it one of the ten biggest real estate investment trusts in Asia and one of the three biggest real estate investment trusts in Hong Kong by market capitalisation.

The tables below sets out some of the key financial information relating to Champion REIT:

	For the year ended 31 December		
	2017	**2018**	**2019**
	HK$ million	**HK$ million**	**HK$ million**
Revenue from the Properties	2,700	2,965	3,081
Total distributable income	1,487	1,611	1,648

	As at 31 December		
	2017	**2018**	**2019**
	HK$ million	**HK$ million**	**HK$ million**
Total Borrowings	14,841	15,041	15,040
Total gross assets value	78,453	85,291	83,679
Borrowings to total gross assets value	**18.9%**	**17.6%**	**18.0%**
Gross liabilities (excluding net assets attributable to Unitholders)	18,102	18,530	18,845
Percentage of gross liabilities (excluding net assets attributable to Unitholders) to total gross assets value	**23.1%**	**21.7%**	**22.5%**
Net assets attributable to Unitholders	**60,351**	**66,761**	**64,834**

For details regarding the structure of Champion REIT, including the contractual relationships between Champion REIT, the REIT Manager and certain other parties, please see the section headed "Champion REIT – Structure of Champion REIT" below.

2. Management Strategy

Champion REIT's key objectives are to provide Unitholders with stable and sustainable distributions and to achieve long-term capital growth. Its principal investment strategy is to own and invest in an income-producing portfolio of office and retail properties in Hong Kong and overseas, and the trust aims to continue providing attractive total returns to Unitholders by proactively managing its property portfolio by maintaining a high level of investment discipline and financial flexibility. Champion REIT intends to hold its property portfolio for long-term investment purposes while also seeking yield-enhancing acquisition opportunities.

Asset Management Strategy

As its asset management strategy, the REIT Manager will proactively manage Champion REIT's properties to achieve the following:

- **Maximise Rental Income** by optimising rental income from each tenancy and where possible augmenting rental income through increasing floor area, asset enhancements or turnover rent. For Langham Place Mall, innovative events and promotions are regularly organised to sustain a high level of footfall, which in turn is expected to have a positive impact on sales and rental income generated by the mall.

- **Maintain High Occupancy Levels** by maintaining high quality service and technical standards, and by capitalising on the requirements of targeted niche clients and actively managing tenancy expiries.

- **Maintain High Tenancy Renewal Rates** through proactive tenant relationship management and anticipation of future tenant needs. This will minimise rental losses due to downtime and lower expenses and agency fees incurred for new tenancies. For retail tenants, the REIT Manager also recognises the need to replace from time to time a certain number of tenants with new brands, both overseas and local, in order to project a vibrant image.

- **Maintain a High Quality Tenant Base** built upon highly coveted multi-national office tenants and well recognised retail tenants, to maintain a premium image for Champion REIT's properties and to minimise default rates.

- **Build Strong Sustainability Corporate Culture** and incorporate sustainability matters into decision-making process, creating sustainable business growth and long-term values to stakeholders.

Acquisition Strategy

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

- **Yield Accretion** – properties to be acquired should have strong existing or strong potential income or the potential for higher income.

- **Potential for Net 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 high tenant retention rates and low tenant default rates.

- **Location and Accessibility** – properties for convenient access to the public transportation network, major roads and pedestrian thoroughfares will be favoured.

- **Value-Adding Opportunities** – through renovation, other enhancements and proactive property management will be assessed.

- **Building Specifications** – should be best of class. Other aspects such as building condition, sustainability performance, compliance with regulations and expected levels of capital expenditure in the short-to-medium term will be examined.

3. The Portfolio

Champion REIT's property portfolio comprises the Three Garden Road Property and the Langham Place Property. As at the Valuation Reference Date, the total market value of the Properties amounted to HK$81,178 million, of which HK$48,530 million is attributable to the Three Garden Road Property and HK$32,648 million to the Langham Place Property. The valuation methodology principally uses the income capitalisation approach and the direct comparison approach.

3.1. Three Garden Road

Overview

Three Garden Road (formerly known as Citibank Plaza) is a Grade A office building located at 3 Garden Road, Central, Hong Kong. It is a modern glass and steel office complex that comprises Champion Tower (formerly known as Citibank Tower) (a 47-storey building) and ICBC Tower (a 37-storey building), as well as a retail podium and carpark.

Champion REIT's stake in Three Garden Road ("**Three Garden Road Property**") comprises: 100 per cent. of the Lettable Area of Three Garden Road, representing: (a) the whole of ICBC Tower; (b) the whole of the retail podium; (c) the whole of Champion Tower; and (d) a carpark including 558 carpark spaces and 50 motorcycle parking spaces.

Champion REIT acquired the Three Garden Road Property on 24 May 2006, in connection with the initial public offering of Units by Champion REIT, with the exception of the 34th, 36th and 37th Floors of Champion Tower and three carpark spaces which were acquired on 5 January 2007 and the 3rd Floor (other than the circulation area) and the whole of the 4th, 5th and 6th Floors of Champion Tower which were acquired on 11 July 2013 by Champion REIT. The Three Garden Road Property is held under a lease from the Government of Hong Kong expiring on 30 June 2047.

The Three Garden Road Property was valued at HK$48,530 million as at the Valuation Reference Date by the Independent Property Valuer. For a breakdown of the Three Garden Road Property valuation, please refer to the "Valuation of Properties" section in Champion REIT's annual report for the year ended 31 December 2019.

Net property income attributable to the Three Garden Road Property amounted to HK$1,270 million and HK$1,375 million for the years ended 31 December 2018 and 31 December 2019 respectively.

Certain Key Information

The table below sets out certain key information on the Three Garden Road Property as at the Valuation Reference Date, unless otherwise indicated.

Number of Carpark Spaces	58 private carpark spaces. Public carpark with 500 carpark spaces and 50 motorcycle parking spaces	
Total Floor Area (excluding the carpark)	**Use**	**sq. ft. (thousand)**
	Retail	57.7
	Office	1,579.9
	Total	1,637.6
Lettable Area (excluding the carpark)	**Use**	**sq. ft. (thousand)**
	Retail	42.2
	Office	1,225.6
	Total	1,267.8
Occupancy Rate (excluding the carpark)	**Use**	**%**
	Retail	100.0
	Office	93.0
	Overall	93.2
Building Completion		May 1992
Government Grant Expiry		30 June 2047
Number of Tenants	**Use**	**Tenants**
	Retail	5
	Office	101
	Total	106
Lettable Area Leased to Top Five Tenants as a percentage of total Lettable Area		**38.9%**
Lettable Area Leased to connected persons (as defined in the REIT Code) as a percentage of total Lettable Area		3.0%

Tenant Profile and Details of Tenancy Mix

The Three Garden Road Property has a large tenant base, with 106 tenants (under 137 tenancies) as at the Valuation Reference Date. Major tenants include Citibank N.A. and Industrial and Commercial Bank of China.

The following table sets forth the mix of tenants of the Three Garden Road Property, by their principal nature of business, as a percentage of Lettable Area leased for the month ended on the Valuation Reference Date. As indicated in the table, tenants from the financial services industry (including banking and asset management) represent the largest group of tenants of the Three Garden Road Property, accounting in the aggregate for 65.4 per cent. of the total Lettable Area leased for such period. The majority of the 5 retail tenants are from the food and beverage industry.

Industry Sector	For the month ended on the Valuation Reference Date Percentage of Lettable Area
	%
Banking	33.7
Asset Management	31.7
Corporate	7.3
Flexible Workspace	6.7
Media	5.6
Legal	3.3
Medical	2.5
Consultancy	1.9
Retail	3.6
Others	3.7
Total	100.0

Schedule of Tenancy Expiries

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Three Garden Road Property as at the Valuation Reference Date that are scheduled to take place during the periods indicated.

Period	Number of tenancies expiring [(1)]	Lettable Area of tenancies expiring as a percentage of total Lettable Area	Average monthly rent for tenancies expiring as a percentage of average monthly rent for all tenancies [(2)]
		(%)	(%)
2020	53	38.8	38.9
2021	46	33.2	31.0
2022	30	16.1	18.4
2023	3	2.1	2.1
2025	5	9.7	9.5
Total	137	100.0	100.0

Notes:

1 Assuming any option to renew is not exercised.

2 Rent in respect of tenancies expiring during the respective periods is calculated on the basis of rent payable under the tenancies expiring for the month ended on the Valuation Reference Date.

3.2. Langham Place

Overview

Langham Place is an integrated commercial development located at 8 Argyle Street and 555 Shanghai Street, Mongkok. It comprises a 59-storey Grade A office building, a 15-storey shopping mall, a 42-storey 5-star hotel, a 250-space private carpark and other governmental, institutional and/or community facilities. The entire Langham Place development has a Total Floor Area of approximately 1,940,000 sq. ft.

Champion REIT's stake in Langham Place ("**Langham Place Property**") comprises: (a) the Langham Place Office Tower, other than the Excluded Areas ("**Langham Place Office Property**"); (b) the whole of the Langham Place Mall; (c) the Langham Place Carpark; and (d) the Reserved Areas.

Champion REIT acquired the Langham Place Property on 3 June 2008. The Langham Place Property is held under a lease from the Government of Hong Kong which will expire on 30 June 2047.

The Langham Place Property was valued at HK$32,648 million as at the Valuation Reference Date by the Independent Property Valuer. For a breakdown of the Langham Place Property valuation, please refer to the "Valuation of Properties" section in Champion REIT's annual report for the year ended 31 December 2019.

Net property income attributable to the Langham Place Office Property amounted to HK$322 million and HK$342 million for the years ended 31 December 2018 and 31 December 2019 respectively.

Net property income attributable to the Langham Place Mall amounted to HK$813 million and HK$764 million for the years ended 31 December 2018 and 31 December 2019 respectively.

Certain Key Information

The table below sets out certain key information on the Langham Place Property as at the Valuation Reference Date, unless otherwise indicated.

Number of Carpark Spaces	250 private carpark spaces	
Total Floor Area (excluding the carpark)	**Use**	**sq. ft. (thousand)**
	Retail	589.8
	Office	702.9
	Total	1,292.7
Lettable Area (excluding the carpark)	**Use**	**sq. ft. (thousand)**
	Retail	319.1
	Office	702.9
	Total	1,022.0
Occupancy Rate (excluding the carpark)	**Use**	**%**
	Retail	100.0
	Office	97.7
	Overall	98.4
Building Completion		July 2004
Government Grant Expiry		30 June 2047
Number of Tenants	**Use**	**Tenants**
	Retail	173
	Office	52
	Total	225
Lettable Area Leased to Top Five Tenants as a percentage of total Lettable Area		**38.8%**
Lettable Area Leased to connected persons (as defined in the REIT Code) as a percentage of total Lettable Area		4.7%

Tenant Profile and Details of Tenancy Mix

The Langham Place Property has a large and diversified tenant base.

As at the Valuation Reference Date, the Langham Place Office Property comprises 52 office tenants (under 73 tenancies), with a majority of the Lettable Area leased to tenants in the corporate and sales services, healthcare and medical, beauty and fitness centre sectors. Tenants in lifestyle trades (including healthcare and medical, beauty and fitness centre sectors) represented the largest group of tenants, accounting for 59.9 per cent. in aggregate of the total Lettable Area leased as at the Valuation Reference Date. Major office tenants include Dr Reborn and Union Medical Healthcare, Pure Fitness and Pure Yoga, Neo Derm and Perfect Medical.

As at the Valuation Reference Date, the Langham Place Mall comprises 173 retail tenants (under 201 tenancies), with a majority of the Lettable Area leased to tenants in the fashion and accessories, and food and beverage sectors. Tenants in the fashion and accessories sector represent the largest group of tenants, accounting for 38.7 per cent. in aggregate of the total Lettable Area leased as at the Valuation Reference Date. Major retail tenants include Beauty Avenue and Cinema City.

The following table sets forth the mix of tenants of the Langham Place Property, by their principal nature of business, as a percentage of Lettable Area leased for the month ended on the Valuation Reference Date.

Industry Sector	For the month ended on the Valuation Reference Date Percentage of Lettable Area
	(%)
Office	
Corporate and Sales Services	30.4
Healthcare and Medical	27.2
Beauty	22.6
Fitness Centre	10.1
Flexible Workspace	7.4
Others	2.4
Total	100.0
Retail	
Fashion and Accessories	38.7
Food and Beverage	22.5
Entertainment	14.7
Health and Beauty	10.9
Others	13.3
Total	100.0

Schedule of Tenancy Expiries

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Langham Place Office Property as at the Valuation Reference Date which are scheduled to take place during the periods indicated.

Period	Number of tenancies expiring (1)	Lettable Area of tenancies expiring as a percentage of total Lettable Area	Average monthly rent for tenancies expiring as a percentage of average monthly rent for all tenancies (2)
		(%)	(%)
2019	2	4.3	3.8
2020	21	29.1	28.4
2021	16	12.1	12.0
2022	13	20.4	20.1
2023	14	19.6	19.7
2024	6	12.0	13.2
2025	1	2.5	2.8
Total		100.0	100.0

Notes:

1 Assuming any option to renew is not exercised.

2 Rent in respect of tenancies expiring during the respective periods is calculated on the basis of rent payable under the tenancies expiring for the month ended on the Valuation Reference Date.

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Langham Place Mall as at the Valuation Reference Date which are scheduled to take place during the periods indicated.

Period	Number of tenancies expiring (1)	Lettable Area of tenancies expiring as a percentage of total Lettable Area	Average monthly rent for tenancies expiring as a percentage of average monthly rent for all tenancies (2)
		(%)	(%)
2019	1	0.0	0.1
2020	57	22.7	19.9
2021	57	23.6	31.3
2022	74	28.6	31.2
2023	7	5.3	4.7
2024	3	16.6	10.9
2025	2	3.2	1.9
Total		100.0	100.0

Notes:

1 Assuming any option to renew is not exercised.

2 Rent in respect of tenancies expiring during the respective periods is calculated on the basis of rent payable under the tenancies expiring for the month ended on the Valuation Reference Date.

3.3. Other Property Information

Tenant Diversity

As at the Valuation Reference Date, the gross rental income of the top five tenants in the Three Garden Road Property and the Langham Place Property are 24.1 per cent and 12.8 per cent of Champion REIT's total gross rental income respectively.

Tenancy Agreements

The tenancy agreements entered into are generally for terms ranging from two to three years. Longer lease terms of up to 10 years are sometimes granted for larger premises or where it is necessary for a prospective tenant to incur a significant initial capital expenditure but subject to a periodic rent review (generally every three years) at prevailing market rates. Shorter leases are sometimes granted depending on a prospective tenant's specific needs. Tenancies are generally for a fixed term with no option to renew, although selected large tenants may be given an option to renew their tenancies for additional terms.

Rent is typically a fixed amount (subject to periodic rent reviews and renewals described below) except for the majority of Langham Place Mall tenants whose rent is the higher of a base rental amount and a certain percentage of their monthly turnover.

Tenancy agreements that provide for rent reviews or renewal options at prevailing market rates require the landlord and the tenant to agree on the market rent for the new rent period. If the parties fail to agree on the new rent by a pre-agreed date, the matter is required to be referred to an independent valuer agreed to and appointed by the landlord and the tenant. Failing an agreement, a designated independent third party is appointed as an expert to determine the market rent for the new rent period. The expert's determination is final and binding on the landlord and the tenant.

Tenants generally are required to pay their monthly rent in advance and at the time of entering into a tenancy, tenants are required to provide a security deposit of approximately two to five months' rent. Consistent with market practice, rent-free periods, varying depending on market conditions and the overall value of the tenancy, are commonly granted on tenancies.

Under the tenancy agreements, tenants are normally responsible for payment of outgoings including utilities, building management fees and Government rates (and for the Langham Place Mall tenants, a levy used to fund promotional activities for the mall), while the landlord is responsible for payment of Government rent.

The majority of tenancy agreements do not give tenants the right to terminate their tenancies prior to the scheduled expiration date. A limited number of tenancies permit tenants to terminate the tenancies with respect to part or all of the leased premises by notice after a certain period. The landlord has the right to terminate tenancies upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants. Tenants are generally not permitted to assign or sublet the premises, except in certain cases where assignment or subletting to entities within the same group is permitted.

Property Management

The Properties are managed, supervised, maintained and marketed by the Property Manager, subject to the overall management and supervision of the REIT Manager, in accordance with the terms and conditions set out in the Property Management Agreement entered into between the REIT Manager and the Property Manager.

Insurance

Champion REIT has in place insurance coverage for its properties that the REIT Manager believes is consistent with industry practice in Hong Kong. This includes comprehensive property insurance (including insurance against fire and flood and providing coverage for the rebuilding cost of the Three Garden Road Property and Langham Place Property), business interruption insurance for at least 24 months, and public liability insurance. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including losses resulting from wars, nuclear contamination, infectious or contagious diseases (such as the COVID-19 pandemic and Acquired Immune Deficiency Syndrome), acts of terrorism and business damage and interruptions losses arising from the ongoing social unrest in Hong Kong since June 2019. Please refer to the section headed "Risk Factors – Risks Relating to Investment in Real Estate – Champion REIT may suffer material losses in excess of insurance proceeds" of this Offering Circular for further details.

3.4. Information regarding the Leasehold Title to the Properties

Government Grant

Land ownership in Hong Kong is held by way of long-term leases or conditions of grant, as the case may be, granted by the Government. The Properties are held under a Government Grant which contains terms and conditions ordinarily found in grants or leases granted by the Government. For example, the leases contain provisions requiring the lessee:

(1) to develop or redevelop the land in compliance with the buildings and town planning legislation and regulations;

(2) to use the land and buildings erected on the land for the permitted use;

(3) to maintain all buildings erected on the land in good and substantial repair and condition;

(4) to maintain and repair any slopes, retaining walls or other supports to the satisfaction of the Government;

(5) to pay the yearly government rent and discharge all taxes, rates, charges and assessments imposed on the land; and

(6) not to encroach upon or occupy any adjoining Government land.

The Government has a right to terminate the lease and re-enter the land in the event the lessee fails to observe or perform the terms and conditions of the Government Grant.

Deed of Mutual Covenant

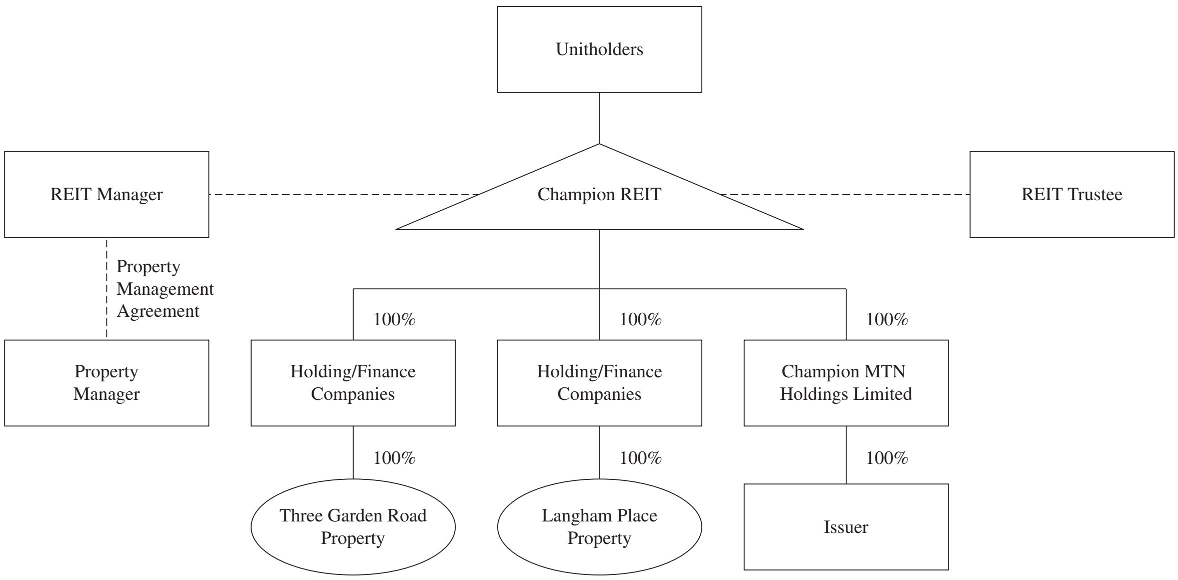
In Hong Kong, it is common for a number of owners to collectively own both the parcel of land and the building(s) on it. The land and building(s) are held by the co-owners as tenants in common in shares which usually bear some relationship to the size of the individual units held by the various owners within the building(s).

The relationship between the co-owners is governed by a document called a deed of mutual covenant (or an instrument of a similar nature), which is an agreement between the co-owners to regulate their co-ownership of the land and building(s) and to provide for the building's effective maintenance and management. A deed of mutual covenant notionally divides the land and building(s) into a number of undivided shares. Some deeds of mutual covenant also provide for management shares to be allocated to each unit for the purpose of calculating a co-owner's contribution to management expenses. Under a deed of mutual covenant, each co-owner is allocated a number of shares which entitle that owner to exclusive use and occupation of the owner's unit(s) to the exclusion of other co-owners and gives each co-owner certain rights and obligations in relation to the use, maintenance and repair of the common parts and facilities of the building(s) to which each co-owner is bound to contribute a proportionate share of the associated costs and expenses by reference to the undivided shares or management shares allocated to its unit.

Separate deeds of mutual covenant are in place in respect of the Three Garden Road Property and the Langham Place Property.

4. Structure of Champion REIT

The following diagram illustrates the simplified corporate structure of Champion REIT



REIT Manager

The REIT Manager, being Eagle Asset Management (CP) Limited, is a wholly-owned subsidiary of Great Eagle. It has a general power of management over the assets of Champion REIT. The REIT Manager's main responsibility is to manage the assets of Champion REIT for the benefit of the Unitholders in accordance with the provisions of the REIT Trust Deed. The REIT Manager is not involved in the provision of any services to any other REIT. The REIT Manager sets the strategic direction and risk management policies of Champion REIT and is responsible for the acquisition, divestment or enhancement of its assets in accordance with its stated investment strategy subject to the oversight of the REIT Trustee, as more fully described below, and approvals from Unitholders, where required by applicable rules and regulations. The REIT Manager is licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code.

The REIT Manager may require the REIT Trustee to guarantee borrowings (or finance raised) by a special purpose vehicle or to borrow on behalf of Champion REIT (upon such terms and conditions as the REIT Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the REIT Manager considers, among other things, that such borrowings are necessary or desirable in order to enable Champion REIT to meet any liabilities or to finance the acquisition of any property. However, the REIT Manager may not direct the REIT Trustee to incur a borrowing if to do so would mean that Champion REIT's total borrowings exceed 45 per cent. (or such other limit as may be stipulated under the REIT Code) of the total gross asset value of the Deposited Property as set out in Champion REIT's latest published audited accounts immediately prior to the time the borrowing is incurred.

REIT Trustee

The REIT Trustee, HSBC Institutional Trust Services (Asia) Limited, is a wholly-owned subsidiary of HSBC. It has the fiduciary duty to hold the assets of Champion REIT on trust for the benefit of the Unitholders and to oversee the activities of the REIT Manager for compliance with the REIT Trust Deed and the regulatory requirements applicable to Champion REIT. This includes ensuring that all investment activities carried out by the REIT Manager are in line with the investment objective and policy of Champion REIT and the REIT Trust Deed, and are in the interests of the Unitholders.

Property Manager

The Property Manager, Eagle Property Management (CP) Limited, is a wholly-owned subsidiary of Great Eagle. As noted above, pursuant to the Property Management Agreement, the Property Manager has been appointed by the REIT Manager to manage, supervise, maintain and market the properties of Champion REIT in Hong Kong for the benefit of Champion REIT. The Property Manager is responsible, subject to the overall management and supervision of the REIT Manager, for all property level accounting, lease management and administration, rent collection, property marketing, insurance procurement, building safety, maintenance and repairs for the properties of Champion REIT in Hong Kong, management and supervision of fitting out works carried out by tenants, contract management and financial management matters, including preparation of the annual budget and tracking of expenditures.

5. Distribution Policy

Paragraph 7. I2 of the REIT Code requires a real estate investment trust to distribute to unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax.

Pursuant to the REIT Trust Deed, Champion REIT is required to ensure that the total amount distributed to Unitholders shall be no less than 90 per cent. of Champion REIT's Annual Distributable Income (as described in detail in the paragraph below) plus, in its discretion, any additional amount (including capital, in accordance with the accounting policies of Champion REIT) that the REIT

Manager determines is distributable, provided that no amount of revaluation surplus on real estate credited to income, or gains on disposal of real estate, whether directly or indirectly through the disposal of any Special Purpose Vehicle, shall form part of any distributions to Unitholders unless the REIT Manager shall have obtained the REIT Trustee's prior consent. It is possible that Annual Distributable Income accruing to Unitholders may exceed total cash available to Champion REIT because of items such as capital expenditure. Accordingly, distributions may need to be funded by cash generated from the sale of assets and/or borrowings made in accordance with the REIT Code. In the event that the total borrowings of Champion REIT reach the borrowing limit prescribed by the REIT Code and Champion REIT does not have sufficient cash to fund distributions, distributions will be accrued until sufficient cash flow is generated to fund those distributions. The REIT Trust Deed requires the REIT Manager and the REIT Trustee to ensure that each Special Purchase Vehicle used to hold real estate and other assets for Champion REIT for the time being shall, insofar as permitted by the relevant constitutive documents governing such company, distribute to Champion REIT all of such Special Purpose Vehicle's income for each financial year as permitted by the laws and regulations of its relevant jurisdiction of incorporation.

For these purposes, and under the terms of the REIT Trust Deed, "**Annual Distributable Income**" is the consolidated audited net profit after tax of Champion REIT and each Special Purpose Vehicle owned by the REIT Trustee on trust for and on behalf of Champion REIT for the relevant financial year adjusted to eliminate the effects of certain Adjustments (as defined below) which have been recorded in the income statement for the relevant financial year. After eliminating these Adjustments, Annual Distributable Income may be different from the net profit recorded for the relevant financial year.

"**Adjustments**" means significant adjustments which are charged or credited to the income statement for the relevant financial year or the relevant distribution period, as the case may be, of Champion REIT and the special purpose vehicles (pro-rated, if applicable, to Champion REIT's interest in the real estate held), including: (a) unrealised property revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (b) impairment loss of goodwill/recognition of negative goodwill; (c) differences between cash and accounting finance costs; (d) realised gains on the disposal of properties; (e) fair value changes on financial instruments; (f) deferred tax charges/credits in respect of property valuation movements, fair value changes on financial instruments and commercial building allowances/capital allowances and other tax deductions claimed; (g) the portion of the REIT Manager's management fee that is paid in the form of Units; (h) costs of any public offering of Units that are expensed through the income statement but are funded by proceeds from the issuance of such Units; and (i) other material non-cash gains/losses.

MANAGEMENT AND EXECUTIVE OFFICERS OF THE REIT MANAGER

The Board

The board of directors of 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 Champion REIT. The Board will also review major financial decisions and the performance of the REIT Manager. The Board consists of one Executive Director and Chief Executive Officer, two Non-executive Directors (including the Chairman) and four Independent Non-executive Directors.

Directors

The Directors are:

Name	Age	Position
Non-executive Directors		
Dr. LO Ka Shui	73	Chairman and Non-executive Director
Mr. IP Yuk Keung, Albert	68	Non-executive Director
Executive Director and Responsible Officer		
Ms. WONG Ka Ki, Ada	39	Executive Director and Chief Executive Officer
Independent Non-executive Directors		
Mr. CHA Mou Sing, Payson	77	Independent Non-executive Director
Mr. CHENG Wai Chee, Christopher	71	Independent Non-executive Director
Mr. HO Shut Kan	71	Independent Non-executive Director
Mr. SHEK Lai Him, Abraham	74	Independent Non-executive Director

Information on the business and work experience of the directors is set out below:

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. Lo, aged 73, was appointed the Chairman and a Non-executive Director of the REIT Manager in 2006. He is a member of the Audit Committee, Disclosures Committee and Nomination Committee of the REIT Manager. He is also a Director of all special purpose vehicles of Champion REIT. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Langham Hospitality Investments. He is also a Vice President of the Real Estate Developers Association of Hong Kong and a member of the Board of Trustees of the Hong Kong Centre for Economic Research.

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

Mr. IP Yuk Keung, Albert
Non-executive Director

Mr. Ip, aged 68, has been a Director of the REIT Manager since 2011. He was an Independent Non-executive Director of the REIT Manager prior to his re-designation as a Non-executive Director of the REIT Manager in June 2014. Mr. Ip is an international banking executive with over 30 years of experience in the United States, Asia and Hong Kong. He was a Real Estate Senior Credit Officer of Citibank since 1989, providing credit initial for approvals of real estate loans originated in Hong Kong and was also involved in financing the acquisition of various hotel assets internationally. He was North Asia Real Estate Head, Hong Kong Corporate Bank Head, Transaction Banking Head – Hong Kong and Asia Investment Finance Head (Global Wealth Management) of Citigroup. He was formerly a Managing Director of Citigroup and Managing Director of Investments in Merrill Lynch (Asia Pacific). He is an Independent Non-executive Director of Lifestyle International Holdings Limited, Power Assets Holdings Limited, TOM Group Limited, New World Development Company Limited and Hutchison Telecommunications Hong Kong Holdings Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong. During the past three years, Mr. Ip was an Executive Director and Chief Executive Officer of the Manager of the publicly listed trust, Langham Hospitality Investments and an Independent Non-executive Director of Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited) and Hopewell Holdings Limited.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of City University of Hong Kong, The Hang Seng University of Hong Kong, Hong Kong University of Science and Technology, School of Hotel and Tourism Management at the Chinese University of Hong Kong and Adjunct Distinguished Professor in Practice at the University of Macau. He is an Honorary Professor of Lingnan University, an Honorary Advisor of School of Humanities and Social Science of The Hong Kong University of Science and Technology, a Professor of Practice (International Banking and Real Estate) of The Hong Kong Polytechnic University and a Council Member of The Hong Kong University of Science and Technology. He is also a Member of the International Advisory Committee at University of Macau and a Trustee of the Board of Trustee at Washington University in St. Louis. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis (summa cum laude), and Master of Science degrees at Cornell University and Carnegie-Mellon University. He was an MBA lecturer at University of Pittsburgh, USA. Mr. Ip is an Honorary Fellow of Vocational Training Council and Vice Chairman of World Green Organisation Limited.

Ms. WONG Ka Ki, Ada
Chief Executive Officer and Executive Director

Ms. Wong, aged 39, has been the Chief Executive Officer, an Executive Director and the Chairman of the Disclosures Committee of the REIT Manager since 2016. Ms. Wong, as Chief Executive Officer, is responsible for planning the strategic development of Champion REIT and ensuring that Champion REIT is operated in accordance with stated investment strategy, policies and regulations. She also oversees the day-to-day operations.

Ms. Wong joined the REIT Manager as Deputy Chief Executive Officer in 2014. She was also appointed as the Chief Investment Officer of the REIT Manager in 2015. 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. Ms. Wong is a Responsible Officer as defined under the Securities and Futures Ordinance. She is also a Director of all special purpose vehicles of Champion REIT.

Ms. Wong has over 15 years of finance industry experience. Prior to joining the REIT Manager, Ms. Wong worked at Citigroup and J.P. Morgan's investment banking division to offer strategic advices to a number of blue chip corporates and Hong Kong real estate companies. She has also executed numbers of landmark IPOs, capital markets fund-raisings and strategic M&A transactions.

Ms. Wong graduated from University of Michigan (Ann Arbor) – Ross School of Business with a Bachelor of Business Administration degree. She was honoured with the titles of Best CEO by FinanceAsia in 2020; Best IR by CEO by the Hong Kong Investor Relations Association in 2017, 2018 and 2019; Directors Of the Year Awards – Listed Companies Executive Director by the Hong Kong Institute of Directors in 2018; and Asia's Best CEO by Corporate Governance Asia in 2017, 2018 and 2019. She is the Chairperson of Asia Pacific Real Estate Association Hong Kong chapter and a Fellow member of the Royal Institution of Chartered Surveyors.

Mr. CHA Mou Sing, Payson
Independent Non-executive Director

Mr. Cha, aged 77, was appointed an Independent Non-executive Director of the REIT Manager in 2006. Mr. Cha is the Chairman and Executive Director of HKR International Limited, the Chairman and Non-executive Director of Hanison Construction Holdings Limited, an Independent Non-executive Director of New World Development Company Limited and the Chairman and Non-executive Director of Million Hope Industries Holdings Limited, all of which are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited and the Executive Chairman of Mingly Corporation. Mr. Cha is a member of One Country Two Systems Research Institute Limited, a governing board member of China-United States Exchange Foundation, a board member of The Real Estate Developers Association of Hong Kong, the Chairman of Qiu Shi Science & Technologies Foundation, a trustee of Sang Ma Trust Fund and an honorary trustee of Oregon State University Foundation.

Mr. Cha holds an Honorary Doctorate Degree of Social Science from City University of Hong Kong. He has over fifty years of experience in property development and investment.

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

Mr. Cheng, aged 71, has been a Director of the REIT Manager since 2006. He is a member of the Audit Committee and Nomination Committee of the REIT Manager. He was a Non-executive Director of the REIT Manager prior to his redesignation as an Independent Non-executive Director of the REIT Manager in May 2014. Mr. Cheng is the Chairman of Wing Tai Properties Limited and an Independent Non-executive Director of NWS Holdings Limited, both are listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Cheng plays an active role in public service. He is a member of the board of overseers at Columbia Business School, a member of the President's Council on International Activities of Yale University and the former Chairman of the Hong Kong General Chamber of Commerce. During the past three years, Mr. Cheng was an Independent Non-executive Director of Kingboard Holdings 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.

Mr. HO Shut Kan
Independent Non-executive Director

Mr. Ho, aged 71, has been a Director of the REIT Manager since 2007. He has been appointed as a member of the Audit Committee and the Chairman of the Nomination Committee of the REIT Manager. He was a Non-executive Director of the REIT Manager prior to his re-designation as an Independent Non-executive Director of the REIT Manager in January 2017. He has over forty years of experience in the property sector. During the past three years, Mr. Ho was an Executive Director and the Chief Executive Officer of Kerry Properties Limited and a Director of Shang Properties, Inc.

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

Mr. SHEK Lai Him, Abraham
Independent Non-executive Director

Mr. Shek, aged 74, was appointed an Independent Non-executive Director in 2006. He is the Chairman of Audit Committee, and a member of Disclosures Committee and Nomination Committee of the REIT Manager. Mr. Shek is a member of the Legislative Council for the HKSAR representing the real estate and construction functional constituency since 2000. Mr. Shek is the Honorary Chairman and an Independent Non-executive Director of Chuang's China Investments Limited, the Vice Chairman and an Independent Non-executive Director of ITC Properties Group Limited, and an Independent Non-executive Director of Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Chuang's Consortium International Limited, Hop Hing Group Holdings Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited, Goldin Financial Holdings Limited, Everbright Grand China Assets Limited, CSI Properties Limited and Far East Consortium International Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an Independent Non-executive Director of Regal Portfolio Management Limited (manager of the publicly listed Regal REIT). Mr. Shek is a Non-executive Director of the Mandatory Provident Fund Schemes Authority and the Chairman and an Independent Member of the Board of Governors of English Schools Foundation (ESF). During the past three years, Mr. Shek was an Independent Non-executive Director of ITC Corporation Limited (now known as PT International Development Corporation Limited), Midas International Holdings Limited (now known as Magnus Concordia Group Limited) and MTR Corporation Limited. He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

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

Executive Officers

Details of the executive officers of the REIT Manager, who are full-time employees of the REIT Manager are set out below:

Ms. WONG Ka Ki, Ada
Chief Executive Officer

Ms. Wong, aged 39, 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. Wong can be found on the page highlighting the board of directors of the REIT Manager.

Ms. LUK Ka Ping, Amy
Investment and Investor Relations Director

Ms. Luk, aged 47, 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

Mr. Leung, aged 36, 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 is also the Manager-In-Charge of finance and accounting function as defined under the Securities and Futures Ordinance. 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.

Ms. LAU Yee Tong, Yvonne
Chief Operating Officer – Asset Management

Ms. Lau, aged 53, Responsible Officer and Manager-In-Charge of operational control and review function as defined under the Securities and Futures Ordinance, is responsible for overseeing the management of Champion REIT's properties and formulating the business plans of Champion REIT's properties and overseeing the property management team with a view to maximising rental income via active asset management. She has over 20 years of solid and all-rounded experience in leasing and asset management of commercial properties in Hong Kong and China. Before joining the REIT Manager, Ms. Lau was the Director of Asset Management for ARA Management Pte Ltd. She has also worked at other major property developers in Hong Kong such as Hysan, Sun Hung Kai and Wharf.

Ms. Lau holds a Master of Science degree in Real Estate from The University of Hong Kong, a Postgraduate Diploma in Arbitration and Mediation from the HKU School of Professional and Continuing Education ("HKU SPACE") and a Professional Diploma in Real Estate Administration (with Distinction) from HKU SPACE.

Mr. KWONG Chi Kwong
Chief Operating Officer – Risk Management

Mr. Kwong, aged 60, Responsible Officer and Manager-In-Charge of anti-money laundering and counter-terrorist financing function as defined under the Securities and Futures Ordinance, is responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the operation level for Champion REIT. Mr. Kwong is also responsible for maintaining an effective risk management system for identification, evaluation, prioritising and recording as well as communication of risks within the REIT Manager and Champion REIT as well as its key service providers in accordance with the risk management policy. Mr. Kwong has more than 25 years of experience in the real estate industry.

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

Ms. SUNG Kar Wai, Rosana
Senior Finance Manager

Ms. Sung, aged 45, Manager-In-Charge of finance and accounting function as defined under the Securities and Futures Ordinance, is responsible for the financial reporting of Champion REIT. Her duties include reviewing management accounts, maintaining profit and cashflow forecasts and the reporting of financial returns to regulators. Ms. Sung is also a Director of all special purpose vehicles of Champion REIT. With more than 20 years of accounting and audit experience, Ms. Sung had previously worked as a senior accountant at a listed company and earlier in her career was employed by a reputable certified public accountants firm to perform audit duties.

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

Mr. NG Cheuk Hei, Terrance
Compliance Manager

Mr. Ng, aged 36, Manager-In-Charge of compliance, anti-money laundering and counter-terrorist financing functions as defined under the Securities and Futures Ordinance, is responsible for setting the internal policies and procedures and ensuring the management and operational compliance of Champion REIT with statutory requirements and regulations. Mr. Ng is also responsible for establishing and maintaining internal control procedures on anti-money laundering and counter-terrorist financing in the trust administrative level and operation level for Champion REIT. Mr. Ng has over 10 years' working experiences and gained legal, compliance and finance experience from various companies including international financial institutions, listed company and law firms. Prior to joining the REIT Manager, Mr. Ng performed legal duties in a well recognised listed construction, property development group.

Mr. Ng graduated from City University of Hong Kong, with a Bachelor of Social Sciences (Honours) in Policy Studies and Administration, a Juris Doctor (with Credit) and a Postgraduate Certificate in Laws. He is also a Solicitor of the Hong Kong Special Administrative Region and a member of the Law Society of Hong Kong.

Mr. YUEN Chi Hang, Tony
Internal Audit Manager

Mr. Yuen, aged 45, Manager-In-Charge of operational control and review, and risk management functions as defined under the Securities and Futures Ordinance, is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Champion REIT. As part of his duties, he ensures the risk management and internal control systems of the REIT Manager function properly and provides internal audit reports to the Audit Committee of the Board of Directors on a regular basis. Prior to joining the REIT Manager, Mr. Yuen worked as an internal auditor at a well recognised listed property company and has over 10 years of experience in the field of internal audit. Earlier in his career, he performed external audit duties while working at two reputable certified public accountants firms.

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

Mr. YAU Kai Hung, Wilson
Senior IT Project Manager

Mr. Yau, aged 39, Manager-In-Charge of information technology function as defined under the Securities and Future Ordinance, is responsible for the design, development and operation of the IT systems of Champion REIT. Prior to joining the REIT Manager, Mr. Yau worked for Fortune 500 and well recognised multinational companies with over 15 years of IT experience.

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

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

As at the Latest Practicable Date, 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 Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the REIT Trust Deed, or which were recorded in the register required to be kept under Schedule 3 of the REIT 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[7]	Percentage of Issued Units[8]
Lo Ka Shui.	Beneficial Owner	Personal Interests	3,592,007		
	Interests of Controlled Corporations	Corporate Interests	3,918,691,904[1]		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	19,115,000	3,941,398,911[2]	66.93
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730	13,424,730[5]	0.23
Wong Ka Ki, Ada.	Interests of Spouse	Family Interests	400,000	400,000[6]	0.01

REIT Manager

(also a substantial Unitholder)

Name	Total Number of Units/ Underlying Units Held[7]	Percentage of Issued Units[8]
Eagle Asset Management (CP) Limited.	451,810,929	7.67

Substantial Unitholders

Name	Total Number of Units/ Underlying Units Held[7]	Percentage of Issued Units[8]
Great Eagle Holdings Limited ("Great Eagle")	3,915,433,294[3]	66.49
HSBC International Trustee Limited.	3,874,225,462[4]	65.79
Top Domain International Limited	1,420,416,628	24.12
Keen Flow Investments Limited	1,071,375,933	18.19
Bright Form Investments Limited.	680,232,558	11.55

Notes:

1. Among these 3,918,691,904 Units:

   (a) 50,000 Units, 940,000 Units, 589,000 Units and 1,679,610 Units were respectively held by Alexander C H Limited, Elizabeth B K Limited, Katherine B L Limited and Nicholas C N Limited, all of which are wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and

   (b) 3,915,433,294 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.

2. The unitholdings of Dr. Lo Ka Shui and his associates increased by 26,748,939 Units/underlying Units in aggregate as compared with the position as at 31 December 2019.

3. The 3,915,433,294 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table as at the Latest Practicable Date:

Name	**Number of Units/ Underlying Units Held**
Top Domain International Limited	1,420,416,628
Keen Flow Investments Limited	1,071,375,933
Bright Form Investments Limited	680,232,558
Eagle Asset Management (CP) Limited	451,810,929
Fine Noble Limited	200,007,503
Great Eagle Nichemusic Limited	61,345,743
The Great Eagle Company, Limited	27,149,000
Ecobest Ventures Limited	3,095,000

4. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as at 8 March 2019) received from HSBC International Trustee Limited ("HITL"). When compared with the position as at 31 December 2019, the unitholdings of HITL remained unchanged.

   HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 33.36% interests in Great Eagle as at the Latest Practicable Date. Dr. Lo Ka Shui (a director of the REIT Manager), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui (all being directors of Great Eagle) are among the discretionary beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his personal capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 29.01% voting right in the capital of Great Eagle as at the Latest Practicable Date.

5. The unitholdings of Mr. Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 31 December 2019.

6. The unitholdings of Ms. Wong Ka Ki, Ada remained unchanged as compared with the position as at 31 December 2019.

7. Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.

8. This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,888,833,523 as at the Latest Practicable Date.

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

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong ("**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes may be subject to Hong Kong profits tax.

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes may be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempt. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

If the Notes are short or medium term debt instruments (as defined in the IRO), profits tax will be assessable at one-half of the standard profits tax rate.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong or

(ii) such Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Cayman Islands

The Cayman Islands at present impose no taxes on income, profits or capital gains. There are also currently no taxes imposed in the Cayman Islands on income, profits, capital gains or appreciations of the holders of the Notes nor any taxes on the holders of the Notes in the nature of estate duty, inheritance or capital transfer tax.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer and/or the REIT Manager may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands and Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, subject to some exceptions, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "Terms and Conditions–

Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders may be required to provide to the Issuer and/or the REIT Manager information for identifying any direct or indirect U.S. ownership. Such information may potentially be disclosed to the U.S. Internal Revenue Service.

Common Reporting Standard ("CRS")

CRS is an internationally agreed standard for the automatic exchange of financial account information ("**AEOI**") between jurisdictions for tax purposes. Many jurisdictions (including the Cayman Islands and Hong Kong) implement AEOI under CRS through their domestic laws. The regime for AEOI requires specific information to be reported in respect of account holders and controlling persons of certain account holders who are identified by financial institutions as reportable persons. Financial institutions must report the required information of reportable persons to the tax authority of the jurisdiction where the financial institutions are resident, and the relevant tax authority would generally send this information to the tax authorities of the jurisdictions of residence of the reportable persons. The information that may be reported by the Issuer and/or the REIT Manager and/or their authorized person(s) in respect of a reportable person includes (but is not limited to) the following: (a) name; (b) address; (c) TIN(s); (d) date of birth (for individuals); (e) place of birth (for individuals); (f) jurisdiction(s) to which the information is reportable; (g) the account number (or a functional equivalent in the absence of an account number); (h) the name and identifying number of the reporting financial institution; (i) the account balance or value as of the end of the calendar year or other appropriate period. Holders may be required to provide to the Issuer and/or the REIT Manager and/or their authorized person(s) information, certifications, and documentary evidence that the Issuer and/or the REIT Manager need in order to satisfy the applicable AEOI due diligence and reporting obligations. Such information could be disclosed to tax authorities, including the Inland Revenue Department of the Hong Kong Special Administration Region, which may send this information to tax authorities of other jurisdictions. Holders should consult with their own tax advisors regarding how these rules may affect them.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or the CMU Service (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer, the REIT Manager and the Guarantor believe to be reliable, but neither the Issuer, the Guarantor, the Trustee, the Agents, the Arranger nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the REIT Manager, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Bearer Notes

The Issuer may make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a subcustodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an ISIN and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Euroclear and Clearstream, Luxembourg or the CMU will be permitted only in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form – Exchange". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates.

Clearance and Settlement

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer, the REIT Manager and the Guarantor believe to be reliable, but neither Issuer nor the Guarantor nor the Arranger nor any Agent nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The Clearing Systems

The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant Clearing System's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "**HKMA**") for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons.

Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike Euroclear or Clearstream, Luxembourg), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU notes. Instead, the HKMA advises the lodging CMU Member (or a designated Paying Agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU notes are credited, whereupon the lodging CMU Member (or the designated Paying Agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in a dealer agreement dated 6 December 2012 and as further amended and restated pursuant to the amended and restated dealer agreement dated 12 May 2020 as amended and restated pursuant to the amended and restated dealer agreement dated 1 November 2016 (the amended and restated dealer agreement being the "**Dealer Agreement**"), agreed with the Issuer and the REIT Manager, a basis upon which they or any of them may from time to time agree to subscribe for the Notes. Any such agreement will extend to those matters stated under "Clearance and Settlement" and "Terms and Conditions of the Notes". The Issuer (failing which, the REIT Manager) will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the REIT Manager) has agreed, unless otherwise agreed in respect of an issue of Notes, to pay all expenses incidental to the performance of their respective obligations under the Dealer Agreement. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the applicable Pricing Supplement. The Notes may also be sold by the Issuer through the Dealers, acting as the Issuer's agents. The Dealers may also offer and sell Notes through certain of their affiliates.

The Issuer and the REIT Manager have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Where the Issuer and the REIT Manager agree to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price set forth in the applicable Pricing Supplement (less commissions, if any, in connection with such issue of Notes), the Notes may be reoffered and resold by the relevant Dealer(s) at a price different from their Issue Price, including (without limitation) at prevailing market prices, or at prices related thereto, at the time of such reoffer and resale, in each case as may be determined by the relevant Dealer(s).

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the REIT Manager, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the REIT Manager, the Guarantor and/or their respective affiliates in the ordinary course of their business. In particular, the REIT Trustee is a wholly-owned subsidiary of HSBC.

The Dealers or certain of their affiliates may subscribe for the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may act as investors and place orders, receive allocations and trade the Notes for its or their own account and such orders, allocations or trade of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, the REIT Manager or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Dealers and/or their respective affiliates, or affiliates of the Issuer, the REIT Manager or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, the REIT Manager or the Guarantor and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the REIT Manager and/or the Guarantor including the Notes and could adversely affect the trading price and liquidity of the Notes. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes). The Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, the REIT Manager or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer, the REIT Manager or the Guarantor.

If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Selling Restrictions

United States of America

The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Issuing and Paying Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes and the Guarantee are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any Series of Notes and the Guarantee, an offer or sale of such Notes and the Guarantee within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each purchaser of such Notes and the Guarantee outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes and the Guarantee in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Notes and the Guarantee, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Notes and the Guarantee are purchased will be, the beneficial owner of such Notes and the Guarantee and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate.

2. It understands that such Notes and the Guarantee have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes and the Guarantee except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. The Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

It understands that the Notes offered in reliance on Regulation S will be represented by a Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Global Certificate, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prohibition of Sales to EEA and UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Relevant State of the European Economic Area and the United Kingdom, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(A) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(B) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (B) to (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and

- the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in The Netherlands in reliance on Article 1(4) of the Prospectus Regulation unless such offer is made exclusively to persons or entities which are qualified investors (as defined in the Prospectus Regulation and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands, or otherwise unless:

(a) a standard exemption logo and wording is disclosed as required by article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**FMSA**"); or

(b) such offer is otherwise made in circumstances in which article 5:20(5) of the FMSA is not applicable,

provided in all cases that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 1 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expressions (i) an "**offer of Notes to the public**" in relation to any Notes in the Netherlands; and (ii) "**Prospectus Regulation**", have the meaning given to them above headed (See – "Prohibition of Sales to EEA and UK Retail Investors").

People's Republic of China

Each Dealer has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person ,or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer of the Notes will be made directly or indirectly to the public in the Cayman Islands.

General

None of the Issuer, the REIT Manager, the Guarantor or the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer, the REIT Manager and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to further agree that the offering and marketing of the Notes by such Dealer will be conducted in the EEA and/or the UK only in the Approved Jurisdictions (as specified in the applicable Pricing Supplement) and will not be conducted by such Dealer in any other EEA member state.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) ("**Professional Investors**") only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer, the Guarantor and the REIT Manager, where applicable or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to each of the Issuer and the Guarantor. Each of the Issuer and the REIT Manager accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The REIT Trustee takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document except that the REIT Trustee accepts full responsibility for the accuracy of the information in relation to the REIT Trustee contained in this document.][1]

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PRIIPs REGULATION – PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014

1 Applicable for Notes to be listed on the Hong Kong Stock Exchange only

(the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][2]

2 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

Pricing Supplement dated [•]

Champion MTN Limited
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by
HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee, and with recourse limited to the assets, of Champion Real Estate Investment Trust)
under the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated [date] [and the supplemental Offering Circular dated [date]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [date] as so supplemented.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1	(i)	Issuer:	Champion MTN Limited
	(ii)	Guarantor:	HSBC Institutional Trust (Services) Asia Limited (in its capacity as trustee of Champion Real Estate Investment Trust)
	(iii)	REIT Manager:	Eagle Asset Management (CP) Limited (in its capacity as manager of Champion Real Estate Investment Trust)
2	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3	Specified Currency or Currencies:		[•]
4	Aggregate Nominal Amount:		
	[(i)	Series Number:	[•]
	[(ii)	Tranche Number]:	[•]

5	[(i)]	Issue Price:	[•]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
	[(ii)	Net proceeds:	[•] *(Required only for listed issues)*]
6	(i)	Specified Denominations:[1, 2]	[•]
	(ii)	Calculation Amount	[•]
7	[(i)]	Issue Date and Interest Commencement Date:	[•]
	[(ii)	Interest Commencement Date:	[*Specify date*/Issue Date/Not Applicable]
8		Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][3]
9		Interest Basis:	[[•]% Fixed Rate] [[Specify reference rate] +/- [•]% Floating Rate] [Zero Coupon] [*Specify Other*] (further particulars specified below)
10		Redemption/Payment Basis:	[Redemption at par] [Dual Currency] [Partly Paid] [Instalment] [*Specify other*]
11		Change of Interest Basis or Redemption/Payment Basis	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12		Put/Call Options:	[Investor Put] or [Issuer Call Option] [Change of Control Put Option] [(further particulars specified below)]
13		Listing:	[Hong Kong/*Specify Other*/None]

Notes:

1 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies)

2 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

3 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

14	Date of [Board] approval for the issuance of Notes obtained:	[•] *(Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
15	Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (If Any) Payable

16	Fixed Rate Note Provisions	Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[•]% per annum payable [annually/semi-annually/quarterly/monthly/*specify other*] in arrear
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted*]
	(iii) Fixed Coupon Amount(s):	[•] per Calculation Amount[4]
	(iv) Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/Actual/365 (fixed) *specify other*]
	(vi) [Determination Date(s):	[•] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual – ICMA)*]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17	Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Interest Period(s):	[•]

Notes:

4 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

(ii)	Specified Interest Payment Dates:	[•] *(If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
(iii)	Interest Period Date(s):	[•] *(Not applicable unless different from Interest Payment Date.)*
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(v)	Business Centre(s):	[Not Applicable/*give details*]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (give details)]
(vii)	Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not [•] as Calculation Agent):	[*Name*] shall be the Calculation Agent
(viii)	Screen Rate Determination:	
	– Reference Rate:	[*For example, LIBOR or EURIBOR*]
	– Interest Determination Date(s):	[•]
	– Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
(ix)	ISDA Determination:	
	– Floating Rate Option:	[•]
	– Designed Maturity:	[•]
	– Reset Date:	[•]
(x)	Margin(s):	[+/-][•]% per annum
(xi)	Minimum Rate of Interest:	[•]% per annum
(xii)	Maximum Rate of Interest:	[•]% per annum
(xiii)	Day Count Fraction:	[•]

	(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
18	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Amortisation Yield:	[•]% per annum
	(ii) Day Count Fraction:	[•]
	(iii) Any other formula/basis of determining amount payable:	[•]
19	Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[•]
	(ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) due:	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[•]

Provisions relating to Redemption

20	Call Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount

	(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv) Notice period:	[•]
21	Put Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) Notice period:	[•]
22	Final Redemption Amount of each Note	[•] per Calculation Amount/*specify other/see Appendix*]
23	Early Redemption Amount	[Not Applicable/*specify other/see Appendix*] Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions)

General Provisions Applicable to the Notes

24	Form of Notes	**[Bearer Notes:** [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [•] days' notice[5]] [permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]] **[Registered Notes:** Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]

Notes:

5 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000", the temporary Global Note shall not be exchangeable on [•] days notice.

25	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraph 17(v) relates)*
26	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
28	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement] apply]
31	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

32	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager (if any):	[Not Applicable/*give names*]
33	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
34	U.S. Selling Restrictions:	[Reg. S Category 2; TEFRA D/TEFRA C/ TEFRA Not Applicable]
35	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified)*
36	Additional selling restrictions:	[Not Applicable/*give details*]

37	Approved Jurisdictions (marketing in EEA member states and/or the UK only):	[Not Applicable] [Austria] [Belgium] [Denmark] [Finland] [France] [Germany] [Ireland] [Italy] [Luxembourg] [Netherlands] [Norway] [Portugal] [Spain] [Sweden] [United Kingdom]

Operational Information

38	ISIN Code:	[•]
39	Common Code:	[•]
40	CMU Instrument Number:	[•]
41	Legal Entity Identifier:	25490094RKSYWL8Z4255
42	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
43	Delivery:	Delivery [against/free of] payment
44	Additional Paying Agent(s) (if any):	[•]

General

45	The aggregate principal amount of Notes issued has been translated into [U.S. dollars] at the rate of [•], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/U.S.$[•]]

46	[Ratings:	The Notes to be issued have been rated: [S&P: [•]] [[Other: [•]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)]*
47	Alternative use of proceeds:	[Not Applicable/*give details*]
48	Private bank rebate:	[Not Applicable/*give details*]

[STABILISATION

In connection with this issue, [insert name of Stabilisation Manager] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes. Any stabilisation action or overallotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme.]

MATERIAL ADVERSE CHANGE STATEMENT

Each of the Issuer and the REIT Manager represents and warrants that except as disclosed in this document, there has been no significant change in the financial or trading position of the Issuer or of Champion REIT since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer or of Champion REIT since [*insert date of last published annual accounts*.]

RESPONSIBILITY

The Issuer and the REIT Manager accept responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of Champion MTN Limited:

By
Duly authorised

Signed on behalf of the REIT Manager:

By
Duly authorised

ACKNOWLEDGEMENT

The REIT Trustee acknowledges the existence of the obligations of the Issuer in respect of the Notes described in this Pricing Supplement, to be read in conjunction with the terms and conditions of the Notes set out in Schedule 2 Part C of the amended and restated trust deed dated 1 November 2016, and made between the Issuer, the REIT Trustee, the REIT Manager and Citicorp International Limited as the Trustee as amended and supplemented (the "**Trust Deed**"), and agrees that such obligations will be guaranteed by the REIT Trustee on the terms set out in the Trust Deed.

Signed on behalf of the REIT Trustee

By
Duly authorised]
[to be included in the form of pricing supplement]

GENERAL INFORMATION

(1) Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange under which the Notes may be issued by way of debt issues to Professional Investors only. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes.

(2) Each of the Issuer, the Guarantor and the REIT Manager has obtained all necessary consents, approvals and authorisations in Hong Kong and in the Cayman Islands in connection with the establishment and update of the Programme, the issue and performance of any Notes under the Programme and the giving of the guarantee relating to the Programme. The establishment of the Programme was authorised by resolutions of the board of directors of the Issuer passed on 22 November 2012, by resolutions of the board committee of the REIT Manager passed on 22 November 2012 and by resolutions of the Board of the REIT Manager passed on 15 November 2012. The update of the Programme was authorised by resolutions of the board committee of the Issuer passed on 4 May 2020 and resolutions of the board committee of the REIT Manager passed on 4 May 2020. Pursuant to resolutions of the board of the REIT Trustee passed on 21 April 2006, the REIT Trustee is authorised to do all such things (including the giving of a guarantee) in relation to any document executed by the REIT Trustee (on behalf of and as trustee for Champion REIT), which would include the giving of the guarantee relating to the Programme.

(3) Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantor or Champion REIT since 31 December 2019 and no significant change in the financial or trading position of the Issuer, the Guarantor or of Champion REIT since 31 December 2019.

(4) Except as disclosed in this Offering Circular, none of the Issuer, the Guarantor, the REIT Manager, Champion REIT or any other member of the Group is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Notes and, so far as any of them is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

(5) The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg and the CMU. The appropriate ISIN and common code or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the applicable Pricing Supplement. The applicable Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

(6) The Issuer may apply to have Notes accepted for clearance through the Euroclear and Clearstream, Luxembourg systems and the CMU Service. The relevant CMU instrument number will be set out in the applicable Pricing Supplement. The relevant ISIN, the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the applicable Pricing Supplement.

(7) For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by holders of the Notes at the head office of the REIT Manager at Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong and at the specified office of the Paying Agents:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of the Issuer;

(iv) the published annual reports and audited accounts of the Group for the two preceding financial years ended 31 December 2018 and 2019;

(v) the most recently published audited annual accounts of the Group and the most recently published unaudited interim accounts of the Group from time to time (at the date of this Offering Circular, other than the financial statements of the Group, the Issuer and the Guarantor have not published any audited or unaudited financial statements and do not propose to publish any financial statements);

(vi) a copy of this Offering Circular together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular or further Offering Circular; and

(vii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular.

Copies of the documents referred to in sub-paragraphs (iii) to (vi) above will also be available free of charge during the hours referred to above from the specified office of each of the Paying Agents so long as any of the Notes is outstanding.

(8) The consolidated financial statements of the Group for the years ended 31 December 2018 and 2019 included in this Offering Circular have been audited by its independent auditor, Deloitte Touche Tohmatsu, as stated in their report appearing therein. Deloitte Touche Tohmatsu has given and not withdrawn their written consent to the inclusion in this Offering Circular of their reports in relation to Champion REIT in the form and context in which they are included.

(9) The Legal Entity Identifier number of the Issuer is 25490094RKSYWL8Z4255.

DEFINITIONS AND GLOSSARY

The following list of defined terms is intended for the convenience of the reader only and is not exhaustive.

DEFINITIONS

Adjustments	has the meaning given to this term in section headed "Champion REIT – Distribution Policy"
Annual Distributable Income	has the meaning given to this term in section headed "Champion REIT – Distribution Policy"
Appraised Value	means the value, as appraised by the Independent Property Valuer, of the Three Garden Road Property or the Langham Place Property (whichever is appropriate) at the Valuation Reference Date
Board	means the board of directors of the REIT Manager
Champion MTN Holdings Limited	means Champion MTN Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and which is an intermediate holding company of the Issuer and which in turn is a member of the Group
Champion REIT or REIT	Champion Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time, or Champion Real Estate Investment Trust and the Group Companies, as the context requires
COVID-19	means 2019 novel coronavirus
Deposited Property	All the assets of Champion REIT, including the Properties
Excluded Areas	means the Excluded Floors and the common areas and common facilities of the Langham Place Office Tower
Excluded Floors	means levels 35, 36, 37 and 55 of Langham Place Office Tower, which are owned by Independent Third Parties
Government	means the government of Hong Kong
Government Grant	in respect of the Three Garden Road Property or the Langham Place Property, as the case may be, the Government Lease or the conditions of exchange, as the case may be, and any variation or amendment thereof under which the relevant property is held from the Government
Government Lease	means the conditions of grant or lease (as the case may be) from the Government under which the Three Garden Road Property is held or under which the Langham Place Property is held

Grade A office building	means an office building that is professionally managed and maintained, attracts high-quality tenants and commands upper-tier rates consisting of a structure with high-quality finishes, a flexible lay-out, large floor plates, spacious lobbies and circulation areas, effective central air-conditioning and lifts zoned for passengers and deliveries of goods, with parking facilities normally available
Great Eagle	means Great Eagle Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 41)
Group	means Champion REIT and the Group Companies
Group Companies	means the companies which are, from time to time, directly or indirectly owned and controlled by the REIT Trustee in its capacity as trustee of Champion REIT and "Group Company" means any one of them
HK$ or Hong Kong dollars	means Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited
Independent Property Valuer	means the independent property valuer appointed by Champion REIT in accordance with the REIT Code, being Colliers International (Hong Kong) Limited for the purposes of the valuation conducted as of the Valuation Reference Date
Independent Third Parties	means persons who, so far as the REIT Manager is aware, after due enquiry, are not connected persons of Champion REIT or Great Eagle and who are parties independent of Champion REIT, Great Eagle and their respective connected persons
Issuer	means Champion MTN Limited, a company incorporated in the Cayman Islands with limited liability and which is indirectly wholly-owned by the REIT Trustee in its capacity as trustee of Champion REIT
Langham Place	means the development constructed on the Site comprising, *inter alia*: (a) a 59-storey Grade A office building, (b) a 15-storey shopping mall; (c) a 42-storey 5-star hotel (comprising 669 guest rooms); (d) a 250-space private carpark; and (e) other government, institutional and/or community facilities
Langham Place Carpark	means the carpark portion of Langham Place, being a 250-space private carpark
Langham Place Mall	means the retail mall portion of Langham Place, being a 15-storey shopping mall
Langham Place Office Property	has the meaning given to this term in section headed "Champion REIT – The Portfolio – Langham Place – Overview"
Langham Place Office Tower	means the office portion of Langham Place, being a 59-storey Grade A office building

Langham Place Property	has the meaning given to this term in section headed "Champion REIT – The Portfolio – Langham Place – Overview"
Langham Place Property DMC	means the Deed of Mutual Covenant and Management Agreement of Langham Place dated 27 June 2005 and registered in the Land Registry by Memorial No.05070702560915
Latest Practicable Date	means 7 May 2020, being the latest practicable date prior to the printing of this Offering Circular for the purpose of ascertaining certain information contained in this Offering Circular
Lettable Area	means, in respect of a property, that portion of the Total Floor Area of the property determined by the relevant property manager at any given time to be rentable
Occupancy Rate	means, with respect to a property, the Lettable Area in sq. ft. occupied by tenants as a percentage of total Lettable Area of such property
Predecessor Property Companies	means (a) CP (Portion A) Limited, (b) CP (Portion B) Limited, (c) Maple Court Limited, (d) Panhy Limited, (e) Shine Hill Development Limited and (f) Well Charm Development Limited, and "**Predecessor Property Company**" means any one of them
Present Property Companies	means (a) CP (SH) Limited, (b) CP (MC) Limited, (c) CP (PH) Limited, (d) CP (WC) Limited, (e) CP (A1) Limited and (f) CP (B1) Limited, and "**New Property Company**" means any one of them
Properties	means collectively, the Three Garden Road Property and the Langham Place Property
Property Development and Related Activities	has the meaning given to this term in section headed "Risk Factors"
Property Management Agreement	means the property management agreement dated 26 April 2006 entered into between the REIT Manager and the Property Manager
Property Manager	means Eagle Property Management (CP) Limited
Property Sale and Purchase Agreements	means the sale and purchase agreements originally entered into on 26 April 2006 (and as supplemented) entered into between Predecessor Property Companies as vendors and the relevant Present Property Companies as purchasers for the property interests in the relevant portion of the Three Garden Road Property which Champion REIT acquired upon listing, and "**Property Sale and Purchase Agreement**" means any one of them
Registered Holder	means Benington Limited, a company incorporated in Hong Kong with limited liability
REIT Code	means the Code on Real Estate Investment Trusts published by the SFC, as amended, supplemented or otherwise modified for the time being

REIT Manager	means Eagle Asset Management (CP) Limited, in its capacity as manager of Champion REIT
REIT Trustee	means HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Champion REIT
REIT Trust Deed	means the trust deed constituting Champion REIT dated 26 April 2006, as supplemented by a first supplemental deed dated 5 December 2006, a second supplemental deed dated 4 February 2008, a third supplemental deed dated 9 March 2009, a fourth supplemental deed dated 23 July 2010, a fifth supplemental deed dated 13 March 2012, a sixth supplemental deed dated 23 January 2015 and a seventh supplemental deed dated 1 June 2017, entered into between the REIT Trustee and the REIT Manager, as the same may be supplemented or amended from time to time
Relevant Investments	has the meaning given to this term in section headed "Risk Factors"
Reserved Areas	means those parts of Langham Place not specifically included in Cordis, Hong Kong, the Langham Place Mall, the Langham Place Office Tower, the Langham Place Carpark. the government facilities of Langham Place or the common areas and common facilities of Langham Place and reserved for the exclusive use and enjoyment of the Registered Holder including, without limitation, certain signage spaces of Langham Place, as more particularly described in the Langham Place Property DMC
sq. ft.	means square feet
SARS	means severe acute respiratory syndrome
SFC	means the Securities and Futures Commission of Hong Kong
Site	means the site on which, *inter alia*, the Langham Place Property was constructed
Special Purpose Vehicle	means an entity whose primary purpose is to hold or own real estate or arrange financing for Champion REIT
Three Garden Road Property	has the meaning given to this term in section headed "Champion REIT – The Portfolio – Three Garden Road – Overview"
Total Floor Area	means, in respect of a property, (a) that portion of the area of that property contained within the external faces of the external walls of the building measured on each floor level; and (b) a pro rata portion of the common areas and/or area of the mechanical and electrical floors of the building
Unit	means a unit of Champion REIT
Unitholder	means any person registered as holding a Unit
Valuation Reference Date	means 31 December 2019

INDEX TO FINANCIAL STATEMENTS

Note:

References to page numbers in the financial statements of Champion REIT are to pages of such documents.

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 139 to 194, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2019 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 matter **Valuation of investment properties**	How our audit addressed the key audit matter
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 14 to the consolidated financial statements, the Group's investment properties amounted to HK$81,178,000,000, representing 97% 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$1,994,379,000. 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 14 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.	Our procedures in relation to assessing the appropriateness of the valuation of investment properties included: • evaluating the competence, capabilities, and objectivity of the independent qualified professional valuer; • understanding the independent qualified professional valuer's valuation process and methodology (including any limitations of scope imposed by the Manager), the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used in the valuations; • evaluating the reasonableness of the methodology and assumptions to industry norms; • assessing the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the respective underlying existing tenancy agreements; (ii) comparing with relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the neighbourhood; and • performing analysis on the key inputs to evaluate the results on the valuations.

Independent Auditor's Report

Other Information

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

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

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

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

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

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

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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, related safeguards.

Independent Auditor's Report

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

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.

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 Chan Ching Chu.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong
18 February 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Rental income	6	2,742,400	2,641,489
Building management fee income	6	302,527	287,726
Rental related income	7	35,742	35,757
Total revenue		**3,080,669**	**2,964,972**
Property operating expenses	8	(600,027)	(559,649)
Net property income		**2,480,642**	**2,405,323**
Interest income		41,317	28,182
Manager's fee	9	(297,677)	(288,639)
Trust and other expenses		(23,895)	(27,399)
(Decrease) increase in fair value of investment properties	14	(1,994,379)	6,411,601
Finance costs	10	(485,470)	(428,187)
(Loss) profit before tax and distribution to unitholders	11	**(279,462)**	**8,100,881**
Income taxes	12	(290,860)	(288,824)
(Loss) profit for the year, before distribution to unitholders		**(570,322)**	**7,812,057**
Distribution to unitholders		(1,565,536)	(1,530,045)
(Loss) profit for the year, after distribution to unitholders		**(2,135,858)**	**6,282,012**
Basic (loss) earnings per unit	13	**HK$(0.10)**	**HK$1.34**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
(Loss) profit for the year, after distribution to unitholders	**(2,135,858)**	**6,282,012**
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	57,113	(8,540)
Reclassification of fair value adjustments to profit or loss	2,668	(509)
	59,781	**(9,049)**
Total comprehensive (expense) income for the year	**(2,076,077)**	**6,272,963**

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	14	81,178,000	83,135,000
Notes receivables	15	215,093	218,705
Derivative financial instruments	21	61,007	39,399
Total non-current assets		81,454,100	83,393,104
Current assets			
Trade and other receivables	16	259,364	296,849
Tax recoverable		608	1,022
Derivative financial instruments	21	3,419	–
Time deposit with original maturity over three months	17	200,000	200,000
Bank balances and cash	17	1,761,655	1,399,530
Total current assets		2,225,046	1,897,401
Total assets		**83,679,146**	**85,290,505**
Current liabilities			
Trade and other payables	18	1,393,805	1,337,168
Deposits received		799,552	761,175
Tax liabilities		279,194	30,363
Distribution payable		783,505	799,023
Bank borrowings	19	843,510	3,696,715
Medium term notes	20	199,929	–
Total current liabilities		4,299,495	6,624,444
Non-current liabilities, excluding net assets attributable to unitholders			
Bank borrowings	19	8,597,553	5,771,097
Medium term notes	20	5,326,277	5,536,292
Derivative financial instruments	21	–	17,860
Deferred tax liabilities	22	621,499	579,884
Total non-current liabilities, excluding net assets attributable to unitholders		14,545,329	11,905,133
Total liabilities, excluding net assets attributable to unitholders		**18,844,824**	**18,529,577**
Net assets attributable to unitholders		**64,834,322**	**66,760,928**
Number of units in issue ('000)	23	**5,872,789**	**5,847,093**
Net asset value per unit	25	**HK$11.04**	**HK$11.42**

The consolidated financial statements on pages 139 to 194 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 18 February 2020 and were signed on its behalf by:

LO Ka Shui	**WONG Ka Ki, Ada**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2019

	Issued units HK$'000 (note 23)	Hedging reserve HK$'000	Others HK$'000 (note)	Profit less distribution HK$'000	Total HK$'000
Net assets attributable to unitholders as at 1 January 2018	24,278,216	(6,187)	5,757,943	30,321,270	60,351,242
Profit for the year, after distribution to unitholders	–	–	–	6,282,012	6,282,012
Cash flow hedges	–	(9,049)	–	–	(9,049)
Total comprehensive (expense) income for the year	–	(9,049)	–	6,282,012	6,272,963
Issue of units	136,723	–	–	–	136,723
Net assets attributable to unitholders as at 31 December 2018	**24,414,939**	**(15,236)**	**5,757,943**	**36,603,282**	**66,760,928**
Loss for the year, after distribution to unitholders	–	–	–	(2,135,858)	(2,135,858)
Cash flow hedges	–	59,781	–	–	59,781
Total comprehensive income (expense) for the year	–	59,781	–	(2,135,858)	(2,076,077)
Issue of units	149,471	–	–	–	149,471
Net assets attributable to unitholders as at 31 December 2019	**24,564,410**	**44,545**	**5,757,943**	**34,467,424**	**64,834,322**

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 2019

	2019 HK$'000	2018 HK$'000
(Loss) profit for the year, before distribution to unitholders	(570,322)	7,812,057
Adjustments:		
– Decrease (increase) in fair value of investment properties	1,994,379	(6,411,601)
– Manager's fee paid and payable in units	148,838	144,319
– Non-cash finance costs	33,422	24,525
– Deferred tax	41,615	41,273
Total distributable income to unitholders (note (i))	**1,647,932**	**1,610,573**
Interim distribution, paid to unitholders (note (ii))	782,031	731,022
Final distribution, to be paid to unitholders (note (iii))	783,505	799,023
Total distributions for the year	**1,565,536**	**1,530,045**
Payout ratio	**95.0%**	**95.0%**
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK$0.1332	HK$0.1250
Final distribution per unit, to be paid to unitholders (note (iii))	HK$0.1334	HK$0.1364
	HK$0.2666	**HK$0.2614**

Notes:

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

(ii) The interim distribution per unit of HK$0.1332 (2018: HK$0.1250) for the six months ended 30 June 2019 is calculated based on the interim distribution of HK$782,031,000 (2018: HK$731,022,000) for the period and 5,872,789,311 units (2018: 5,847,092,804 units) in issue as of 20 September 2019 (2018: 21 September 2018), which was the record date for the period. The distribution was paid to unitholders on 4 October 2019.

(iii) The final distribution per unit of HK$0.1334 for the year ended 31 December 2019 is calculated based on the final distribution to be paid to unitholders of HK$783,505,000 for the period and 5,872,789,311 units in issue as at 31 December 2019. The final distribution per unit for the year ended 31 December 2019 will be subject to further adjustments upon the issuance of units between 1 January 2020 and 7 May 2020, which is the record date set for such period. The final distribution will be paid to unitholders on 15 May 2020.

The final distribution per unit of HK$0.1364 for the year ended 31 December 2018 was calculated based on the final distribution of HK$799,023,000 for the period and 5,858,503,599 units in issue as at 9 May 2019.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax and distribution to unitholders	(279,462)	8,100,881
Adjustments for:		
Decrease (increase) in fair value of investment properties	1,994,379	(6,411,601)
Manager's fee paid and payable in units	148,838	144,319
Interest income	(41,317)	(28,182)
Finance costs	485,470	428,187
Exchange difference	843	(449)
Operating cash flow before movements in working capital	2,308,751	2,233,155
Decrease in trade and other receivables	38,903	2,395
Increase (decrease) in trade and other payables	56,215	(23,550)
Increase in deposits received	38,377	108,490
Cash generated from operations	2,442,246	2,320,490
Interest paid	(450,839)	(392,428)
Hong Kong Profits Tax paid	–	(250,710)
NET CASH FROM OPERATING ACTIVITIES	**1,991,407**	**1,677,352**
INVESTING ACTIVITIES		
Placement of time deposit with original maturity over three months	(200,000)	(200,000)
Release of time deposit with original maturity over three months	200,000	–
Additions to investment properties	(37,379)	(19,399)
Interest received	42,668	26,216
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**5,289**	**(193,183)**
FINANCING ACTIVITIES		
Distribution paid	(1,581,356)	(1,461,999)
Repayment of bank loan	(5,815,000)	(725,000)
New bank loan raised	5,813,635	–
Bank origination fees paid	(51,850)	–
Medium term notes issue cost	–	(13,029)
Proceeds from issuance of medium term notes	–	925,000
NET CASH USED IN FINANCING ACTIVITIES	**(1,634,571)**	**(1,275,028)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**362,125**	**209,141**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,399,530**	**1,190,389**
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**1,761,655**	**1,399,530**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

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

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

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

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

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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 performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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)

HKFRS 16 Leases (Continued)

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustment has had no material financial impact on the consolidated financial statements for the current period.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 "Financial Instruments: Recognition and Measurement", which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 "Financial Instruments: Disclosures" regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Manager anticipates that the application of this amendments to HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation of consolidated financial statements (Continued)

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 2019, the Group's current liabilities exceeded its current assets by HK$2,074,449,000 (2018: HK$4,727,043,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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 or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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. Upon application of HKFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred lease payments. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Groups as lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Groups apply HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Lease modification

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

Financial instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

a. significant financial difficulty of the issuer or the borrower;

b. a breach of contract, such as a default or past due event;

c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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 adjusted by 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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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 it 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Hedge accounting

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

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

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.

Fair value hedges

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (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, and is included in the "other gains and losses" line item.

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

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.

Cash and cash equivalents

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

Revenue from contracts with customers

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

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

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

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

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

Output method

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

Borrowing costs

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

Effective from 1 January 2019, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax 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 its investment properties.

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For the year ended 31 December 2019

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

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 14.

In addition, as described in note 21, 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 reports, the Manager has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

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 2019

	Three Garden Road HK$'000	Langham Place Office Tower HK$'000	Langham Place Mall HK$'000	Consolidated HK$'000
Revenue	**1,674,848**	**428,264**	**977,557**	**3,080,669**
Segment results – Net property income	**1,374,544**	**341,735**	**764,363**	**2,480,642**
Interest income				41,317
Manager's fee				(297,677)
Trust and other expenses				(23,895)
Decrease in fair value of investment properties				(1,994,379)
Finance costs				(485,470)
Loss before tax and distribution to unitholders				**(279,462)**
Income taxes				(290,860)
Loss for the year, before distribution to unitholders				**(570,322)**
Distribution to unitholders				(1,565,536)
Loss for the year, after distribution to unitholders				**(2,135,858)**
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	**(1,397,379)**	**518,000**	**(1,115,000)**	**(1,994,379)**

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For the year ended 31 December 2019

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Three Garden Road HK$'000	Langham Place Office Tower HK$'000	Langham Place Mall HK$'000	Consolidated HK$'000
Revenue	**1,548,766**	**400,361**	**1,015,845**	**2,964,972**
Segment results – Net property income	**1,270,470**	**321,896**	**812,957**	**2,405,323**
Interest income				28,182
Manager's fee				(288,639)
Trust and other expenses				(27,399)
Increase in fair value of investment properties				6,411,601
Finance costs				(428,187)
Profit before tax and distribution to unitholders				**8,100,881**
Income taxes				(288,824)
Profit for the year, before distribution to unitholders				**7,812,057**
Distribution to unitholders				(1,530,045)
Profit for the year, after distribution to unitholders				**6,282,012**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	**3,715,881**	**460,000**	**2,235,720**	**6,411,601**

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

For the year ended 31 December 2019

	Three Garden Road HK$'000	Langham Place Office Tower HK$'000	Langham Place Mall HK$'000	Consolidated HK$'000
Building management fee income	163,185	53,197	86,145	302,527
Rental related income	10,303	414	38,871	49,588
Revenue from contracts with customers	**173,488**	**53,611**	**125,016**	**352,115**
Rental income and other rental related income	1,501,360	374,653	852,541	2,728,554
	1,674,848	428,264	977,557	3,080,669

For the year ended 31 December 2018

	Three Garden Road HK$'000	Langham Place Office Tower HK$'000	Langham Place Mall HK$'000	Consolidated HK$'000
Building management fee income	158,293	50,584	78,849	287,726
Rental related income	12,824	291	40,108	53,223
Revenue from contracts with customers	**171,117**	**50,875**	**118,957**	**340,949**
Rental income and other rental related income	1,377,649	349,486	896,888	2,624,023
	1,548,766	400,361	1,015,845	2,964,972

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 the reporting period is not disclosed.

Total revenue arising from leases for the year ended 31 December 2019 includes variable lease payments that do not depend on an index or a rate of HK$114,511,000, the remaining amounts are lease payments that are fixed.

Notes to the Consolidated Financial Statements

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5. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

	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 2019				
Additions to non-current assets	**37,379**	**–**	**–**	**37,379**
For the year ended 31 December 2018				
Additions to non-current assets	13,119	–	6,280	19,399

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2019, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK$48,530,000,000 (2018: HK$49,890,000,000), HK$10,428,000,000 (2018: HK$9,910,000,000) and HK$22,220,000,000 (2018: HK$23,335,000,000), respectively.

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

Geographical information

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

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

Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for both years.

6. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	2019 HK$'000	2018 HK$'000
Property rental income	2,696,697	2,593,753
Car park income	45,703	47,736
Rental income	**2,742,400**	**2,641,489**

	2019 HK$'000	2018 HK$'000
Building management fee income	**302,527**	**287,726**

7. RENTAL RELATED INCOME

	2019 HK$'000	2018 HK$'000
Interest income from tenants	682	306
Promotional levy income	13,809	13,058
Sundry income	21,251	22,393
	35,742	**35,757**

8. PROPERTY OPERATING EXPENSES

	2019 HK$'000	2018 HK$'000
Building management expenses	336,025	321,956
Car park operating expenses	11,356	11,657
Government rent and rates	81,371	76,098
Legal cost and stamp duty	4,780	3,370
Promotion expenses	18,783	17,397
Property and lease management service fee	83,014	80,329
Property miscellaneous expenses	3,668	2,707
Rental commission	51,911	40,553
Repairs and maintenance	9,119	5,582
	600,027	**559,649**

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9. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK$200 million for each of the six months ended 30 June 2019 and 31 December 2019, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2019 and 31 December 2019 as remuneration.

	2019 HK$'000	2018 HK$'000
Manager's fee:		
In the form of units	148,838	144,319
In the form of cash	148,839	144,320
	297,677	**288,639**

Based on the election results on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2019 arising from the properties currently owned by Champion REIT in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% in the form of cash.

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Finance costs represent:		
Interest expense on bank borrowings	281,174	246,034
Interest expense on medium term notes	202,824	181,961
Other borrowing costs	1,472	192
	485,470	**428,187**

11. (LOSS) PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2019 HK$'000	2018 HK$'000
(Loss) profit before tax and distribution to unitholdershas been arrived at after charging (crediting):		
Auditors' remuneration	**2,590**	2,180
Trustee's remuneration	**14,685**	14,084
Principal valuer's fee	**270**	312
Other professional fees and charges	**2,779**	9,105
Roadshow and public relations expenses	**1,510**	1,832
Bank charges	**288**	285
Exchange difference	**843**	(449)

12. INCOME TAXES

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	249,435	247,375
– (Over)underprovision in prior years	(190)	176
	249,245	247,551
Deferred tax (note 22)		
– Current year	41,615	41,273
	290,860	**288,824**

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

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

	2019 HK$'000	2018 HK$'000
(Loss) profit before tax and distribution to unitholders	(279,462)	8,100,881
Tax at the domestic income tax rate of 16.5%	(46,111)	1,336,645
Tax effect of income not taxable for tax purpose	(6,817)	(1,062,609)
Tax effect of expenses not deductible for tax purpose	344,001	15,166
(Over)underprovision in prior years	(190)	176
Utilisation of tax loss previously not recognised	(23)	(554)
Income taxes for the year	290,860	288,824

13. BASIC (LOSS) EARNINGS PER UNIT

The calculation of the basic (loss) earnings per unit before distribution to unitholders is based on the loss for the year before distribution to unitholders of HK$570,322,000 (2018: profit for the year before distribution to unitholders of HK$7,812,057,000) with the weighted average number of units of 5,864,870,564 (2018: 5,840,508,339) 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 2019 and 2018.

There were no dilutive potential units in issue during the years ended 31 December 2019 and 2018, therefore the diluted (loss) earnings per unit has not been presented.

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For the year ended 31 December 2019

14. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
FAIR VALUE		
At the beginning of the year	83,135,000	76,704,000
Additions during the year	37,379	19,399
(Decrease) increase in fair value	(1,994,379)	6,411,601
At the end of the year	**81,178,000**	**83,135,000**

The fair value of the Group's investment properties at 31 December 2019 and 31 December 2018 has been arrived at on the basis of valuation carried out by Colliers International (Hong Kong) Ltd., an independent qualified professional valuer not connected to the Group. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

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

The Group leases the three investment properties, namely Three Garden Road, Langham Place Office Tower and Langham Place Mall, for generating rental income. Further details of the lease arrangements are set out in note 28.

As at 31 December 2019, certain investment properties with total fair value of HK$24,861,360,000 (2018: HK$49,890,000,000) have been mortgaged as security for credit facilities as detailed in note 19.

14. INVESTMENT PROPERTIES (CONTINUED)

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 2019 and 2018					
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 3.6% for office and 4.25% for retail (2018: 3.6% for office and 4.25% 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$5,780 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK$7,640 million (capitalisation rate of 3.1% for office and 3.75% for retail) respectively (2018: decrease by approximately HK$5,996 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK$7,927 million (capitalisation rate of 3.1% for office and 3.75% for retail) 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$2,210 million and decrease by approximately HK$2,210 million, respectively (2018: increase by approximately HK$2,274 million and decrease by approximately HK$2,273 million, respectively).

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14. 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 2019 and 2018 (Continued)					
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.75% for retail and 4.0% for office (2018: 3.75% for retail and 4.0% 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$3,618 million (capitalisation rate of 4.25% for retail and 4.5% for office) and increase by approximately HK$4,712 million (capitalisation rate of 3.25% for retail and 3.5% for office) respectively (2018: decrease by approximately HK$3,757 million (capitalisation rate of 4.25% for retail and 4.5% for office) and increase by approximately HK$4,891 million (capitalisation rate of 3.25% for retail and 3.5% 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$1,462 million and decrease by approximately HK$1,458 million, respectively (2018: increase by approximately HK$1,477 million and decrease by approximately HK$1,476 million, respectively).

15. NOTES RECEIVABLES

As at 31 December 2019, the Group held unsecured bonds with aggregate carrying amounts of HK$215,093,000 (2018: HK$218,705,000), which are denominated in United States dollar ("US$") with nominal values ranging from US$1,200,000 to US$7,640,000 (2018: US$1,200,000 to US$7,640,000). The unsecured bonds bear interest at fixed interest rates ranging from 3.75% to 5.875% (2018: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (2018: February 2021 to May 2024).

16. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	10,467	27,736
Deferred lease payments	166,052	169,575
Deposits, prepayments and other receivables	82,845	99,538
	259,364	**296,849**

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 presented based on the invoice date at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
0 – 3 months	10,467	27,736

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$10,467,000 (2018: HK$27,736,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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17. TIME DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

	2019 HK$'000	2018 HK$'000
Cash at bank	529,259	445,774
Time deposits with original maturity of three months or less	1,232,396	953,756
Bank balances and cash	**1,761,655**	**1,399,530**

	2019 HK$'000	2018 HK$'000
Time deposit with original maturity over three months but not exceeding one year	**200,000**	**200,000**

Bank balances carry interest at market rates of 0.125% to 1.1% (2018: 0.125% to 0.425%) per annum. Time deposits with original maturity of three months or less carry interest at market rates ranging from 2.34% to 3.12% (2018: 2.5% to 3.285%) per annum. Time deposit with original maturity over three months but not exceeding one year carries interest at market rate of 2.505% per annum (2018: 2.91%).

18. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	101,835	79,127
Rental received in advance	50,077	19,852
Other payables and accruals	278,418	274,714
Accrued stamp duty	963,475	963,475
	1,393,805	**1,337,168**

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2018: 4.25%) and the stated consideration of HK$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interest in Three Garden Road upon listing.

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

	2019 HK$'000	2018 HK$'000
0 – 3 months	101,835	79,127

19. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured term loan	3,685,000	9,500,000
Unsecured term loan	4,963,635	–
Unsecured revolving loan	850,000	–
	9,498,635	9,500,000
Loan front-end fees	(57,572)	(32,188)
	9,441,063	**9,467,812**
The maturity of the bank borrowings is as follows:		
Within one year	843,510	3,696,715
More than one year but not more than two years	3,674,006	–
More than two years but not exceeding five years	4,923,547	5,771,097
	9,441,063	9,467,812
Less: Amount due within one year shown under current liabilities	(843,510)	(3,696,715)
	8,597,553	5,771,097

During 2018, the Group early repaid a total amount of HK$725,000,000 of its secured term loan which fall due in June 2019. As at 31 December 2018, secured bank loans amounted to HK$3,700,000,000 and HK$5,800,000,000, bear interest at a floating rate of HIBOR plus 0.83% per annum and HIBOR plus 0.95% per annum and are repayable in full in June 2019 and June 2021, respectively.

During 2019, the Group arranged two unsecured banking facilities in a total amount of HK$5,813,635,000 to fully refinance an outstanding amount of HK$3,700,000,000 of its secured term loan which fall due in June 2019 and early repaid an amount of HK$2,115,000,000 of its secured term loan which fall due in June 2021.

As at 31 December 2019, unsecured term loan and revolving loan facilities amounted to HK$5,813,635,000 in aggregate, bear interest at a floating rate of HIBOR plus margin ranging from 0.938% to 0.95% per annum. Both the unsecured term loan and revolving loan facilities have a maturity date of June 2024.

As at 31 December 2019, secured term loan amounted to HK$3,685,000,000, bears interest at a floating rate of HIBOR plus 0.95% per annum and is repayable in full in June 2021. As security for the term loan granted to the Group, investment properties with an aggregate fair value of HK$24,861,360,000 as at 31 December 2019 (2018: HK$49,890,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged to the banks.

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20. MEDIUM TERM NOTES

	2019 HK$'000	2018 HK$'000
Medium term notes	5,552,670	5,569,091
Origination fees	(26,464)	(32,799)
	5,526,206	**5,536,292**
The maturity of the medium term notes is as follows:		
Within one year	199,929	–
More than one year but not more than two years	–	199,755
More than two years but not exceeding five years	3,839,407	3,651,822
Over five years	1,486,870	1,684,715
	5,526,206	5,536,292
Less: Amount due within one year shown under current liabilities	(199,929)	–
	5,326,277	5,536,292

The Group established a US$1 billion guaranteed medium term notes programme (the "MTN Programme"), under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating interest rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT.

As at 31 December 2019, the outstanding medium term notes comprised the following:

Notional amount	Maturity	Interest rate (p.a.)	Interest period
HK$200,000,000	May 2020	2.85%[(i)]	Annually
HK$643,000,000	March 2022	3-month HIBOR plus 1.275%	Quarterly
US$386,400,000	January 2023	3.75%[(ii)]	Semi-annually
HK$200,000,000	October 2024	2.75%	Annually
HK$775,000,000	June 2025	2.85%	Annually
HK$450,000,000	July 2025	4.00%	Semi-annually
HK$275,000,000	April 2028	3.73%	Quarterly

(i) The fixed rate of 2.85% per annum is swapped to floating rate at 1-month HIBOR plus 0.67% per annum by the use of an interest rate swap as mentioned in note 21.

(ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps as mentioned in note 21.

The carrying amounts of the medium term notes approximate their fair values.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Non-current assets		
Cash flow hedge – interest rate swaps (note i)	34,344	35,268
Cash flow hedge – cross currency swaps (note ii)	26,663	–
Fair value hedge – interest rate swaps (note i)	–	4,131
	61,007	**39,399**
Current assets		
Fair value hedge – interest rate swap (note i)	**3,419**	**–**
Non-current liabilities		
Cash flow hedge – cross currency swaps (note ii)	**–**	**17,860**

Notes:

(i) Interest rate swaps

The Group entered into interest rate swap contracts of a total notional amount of HK$4,950,000,000 (2018: HK$3,450,000,000), out of which a total notional amount of HK$1,900,000,000 (2018: HK$1,900,000,000) were entered with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a connected person as defined in the REIT Code, to minimise its exposure to fluctuations in interest rates of its bank borrowings which bear interest at a floating rate of HIBOR plus 0.95% per annum. The interest rate swaps and the corresponding bank borrowings have similar terms and the Manager considered that the interest rate swaps were highly effective hedging instruments and qualified as cash flow hedges. As at 31 December 2019, the interest rate swap contracts carry a weighted average swap rate (before interest margin) of 1.537% (2018: 1.550%) per annum and a weighted average tenure of 2.4 years (2018: 2.5 years).

During the year, the gain in change in fair values of the cross currency swaps and interest rate swaps under cash flow hedge amounting to HK$57,113,000 (2018: loss in changes of HK$8,540,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK$2,668,000 (2018: HK$509,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon and interest payments.

The Group also entered into an interest rate swap contract of a notional amount of HK$200,000,000 to convert the fixed rate under the medium term notes as mentioned in note 20(i) to floating rate of 1-month HIBOR plus 0.67% per annum with HSBC. The interest rate swap qualifying as fair value hedge has a maturity date in May 2020, the same maturity date as the corresponding medium term notes. The loss in change in fair values of the interest rate swap under fair value hedge amounting to HK$688,000 (2018: gain in changes of HK$758,000) has been recognised directly in the consolidated income statement.

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21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Cross currency swaps

The Group entered into cross currency swap contracts of a total notional amount of US$386,400,000 with HSBC to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of the US$ MTN, which is denominated in United States dollars, in respect of the principal and fixed rate interest payments. The cross currency swaps and the corresponding medium term notes have similar terms and the Manager considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges. As at 31 December 2019, the medium term notes denominated in US$ are fully hedged at a weighted average exchange rate of HK$7.7595 to US$1.00 and a fixed interest rate of 3.75% per annum. The cross currency swap contracts will be due in January 2023.

The fair value 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.

22. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000	**Tax losses HK$'000**	**Total HK$'000**
As at 1 January 2018	538,741	(130)	538,611
Charge to consolidated income statement during the year	41,143	130	41,273
As at 31 December 2018	**579,884**	**–**	**579,884**
Charge (credit) to consolidated income statement during the year	41,890	(275)	41,615
As at 31 December 2019	**621,774**	**(275)**	**621,499**

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 2019, the Group has unutilised tax losses amounting to HK$499,943,000 (2018: HK$498,418,000) available to offset against future profits. A deferred tax asset of HK$1,665,000 (2018: HK$ nil) has been recognised during the year. No deferred tax asset has been recognised in respect of the remaining HK$498,278,000 (2018: HK$498,418,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

23. ISSUED UNITS

	Number of units	HK$'000
Balance at 1 January 2018	5,823,028,120	24,278,216
Payment of Manager's fee through issuance of new units during the year (note (i))	24,064,684	136,723
Balance at 31 December 2018	**5,847,092,804**	**24,414,939**
Payment of Manager's fee through issuance of new units during the year (note (i))	25,696,507	149,471
Balance at 31 December 2019	**5,872,789,311**	**24,564,410**

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 2019				
8 March 2019	1.7.2018 to 31.12.2018	6.460	11,410,795	73,714
29 August 2019	1.1.2019 to 30.6.2019	5.303	14,285,712	75,757
			25,696,507	**149,471**
In 2018				
1 March 2018	1.7.2017 to 31.12.2017	5.570	11,870,272	66,117
31 August 2018	1.1.2018 to 30.6.2018	5.790	12,194,412	70,606
			24,064,684	136,723

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24. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2019, 25,696,507 (2018: 24,064,684) units were issued as payment for the Manager's fee, amounting to HK$149,471,000 (2018: HK$136,723,000).

25. 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 2019 of HK$64,834,322,000 (2018: HK$66,760,928,000) by the number of units in issue of 5,872,789,311 as at 31 December 2019 (2018: 5,847,092,804).

26. NET CURRENT LIABILITIES

At 31 December 2019, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK$2,074,449,000 (2018: HK$4,727,043,000).

27. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2019, the Group's total assets less current liabilities amounted to HK$79,379,651,000 (2018: HK$78,666,061,000).

28. OPERATING LEASE COMMITMENTS

At 31 December 2019, minimum lease payments receivable on leases are as follows:

	2019 HK$'000
Within one year	2,416,172
In the second year	1,752,788
In the third year	1,153,944
In the fourth year	603,133
In the fifth year	349,847
Over five years	90,805
	6,366,689

At 31 December 2018, minimum lease payments receivable on leases are as follows:

	2018 HK$'000
Within one year	2,332,632
In the second to fifth year inclusive	3,518,694
Over five years	193,298
	6,044,624

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 contingent rentals are charged based on the percentage of sales. Contingent rental income of HK$114,511,000 (2018: HK$188,050,000) was received for the year.

Certain future minimum lease payments 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.

29. CAPITAL COMMITMENT

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	–	**19,551**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2019 HK$'000	2018 HK$'000
Rental income			
The Great Eagle Properties Management Company, Limited	(a)	**8,340**	7,216
Eagle Asset Management (CP) Limited	(a)	**659**	821
Eagle Property Management (CP) Limited	(a)	**9,268**	5,827
Best Come Limited	(a)	**40,077**	14,843
Ease Treasure Investment Limited	(a)	**11,065**	922
Interest income			
HSBC Group[1,3]	(b)	**14,543**	5,704
Building management fee income			
The Great Eagle Properties Management Company, Limited	(a)	**928**	884
Eagle Asset Management (CP) Limited	(a)	**83**	79
Eagle Property Management (CP) Limited	(a)	**990**	707
Best Come Limited	(a)	**4,078**	1,811
Ease Treasure Investment Limited	(a)	**1,315**	104
Building management expenses and car park operating expenses			
The Great Eagle Properties Management Company, Limited	(a)	**293,945**	282,921
Longworth Management Limited	(a)	**53,286**	50,741
Property and lease management service fee			
Eagle Property Management (CP) Limited	(a)	**83,014**	80,329
Rental commission			
Eagle Property Management (CP) Limited	(a)	**43,687**	27,845
Knight Frank Petty Limited[3]	(c)	**–**	322
Colliers International Agency Limited[3]	(c)	**3,689**	–
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(a)	**728**	573
Toptech Co. Limited	(a)	**1,139**	1,673
Keysen Engineering Company, Limited	(a)	**822**	1,855
The Great Eagle Properties Management Company, Limited	(a)	**5**	8

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2019 HK$'000	2018 HK$'000
Repairs and maintenance and improvement works contracted to			
The Great Eagle Engineering Company Limited[3]	(a)	**1,717**	421
Toptech Co. Limited[3]	(a)	**1,232**	–
Keysen Engineering Company, Limited[3]	(a)	**2,286**	2,101
The Great Eagle Properties Management Company, Limited[3]	(a)	**19,555**	8
Promotion expenses			
GE (LHIL) Lessee Limited	(a)	**21**	–
Property miscellaneous expenses			
GE (LHIL) Lessee Limited	(a)	**10**	10
Clever Gain Investment Limited	(a)	**287**	268
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited[3]	(b)	**14,685**	14,084
Clever Gain Investment Limited	(a)	**16**	–
Best Come Limited	(a)	**94**	126
Great Eagle Hotels (UK) Limited	(a)	**–**	98
上海禮興酒店有限公司	(a)	**–**	15
HSBC Group[1,3]	(b)	**147**	135
Manager's fee			
Eagle Asset Management (CP) Limited	(a) & (d)	**297,677**	288,639
Finance costs			
Hang Seng Bank Limited[3]	(b)	**197,602**	240,068
The Hongkong and Shanghai Banking Corporation Limited[3]	(b)	**(5,379)**	200
Valuation fee			
Knight Frank Petty Limited[3]	(c)	**–**	17
Colliers International (Hong Kong) Limited[3]	(c)	**270**	295
Additions to investment properties			
The Great Eagle Properties Management Company, Limited	(a)	**37,379**	–

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30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	2019 HK$'000	2018 HK$'000
Amount due from (included in trade and other receivables)			
The Great Eagle Properties Management Company, Limited	(a) & (e)	**40,970**	55,105
Longworth Management Limited	(a) & (e)	**15,311**	15,311
Toptech Co. Limited	(a) & (e)	**–**	948
Amount due to (included in trade and other payables)			
Eagle Property Management (CP) Limited	(a) & (e)	**18,875**	20,678
Eagle Asset Management (CP) Limited	(a) & (e)	**146,287**	147,772
The Great Eagle Engineering Company Limited	(a) & (e)	**1,247**	376
The Great Eagle Properties Management Company, Limited	(a) & (e)	**7,035**	19,263
Keysen Engineering Company, Limited	(a) & (e)	**1,007**	1,632
Toptech Co. Limited	(a) & (e)	**519**	–
GE (LHIL) Lessee Limited	(a) & (e)	**21**	–
Deposits placed with the Group for the lease of the Group's properties			
Eagle Property Management (CP) Limited	(a) & (f)	**1,414**	559
The Great Eagle Properties Management Company, Limited	(a)	**2,103**	2,103
Best Come Limited	(a)	**8,326**	7,669
Eagle Asset Management (CP) Limited	(a)	**117**	117
Ease Treasure Investment Limited	(a)	**1,661**	1,661

Notes:

(a) These companies are the subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.

(b) These companies are the Trustee or associates[2] of the Trustee.

(c) This company is the principal valuer of Champion REIT or its associates[2].

(d) The Manager's fee is calculated at 12% of the net property income provided that Champion REIT achieves net property income of HK$200 million for each of the six months period ended 30 June 2019 and 31 December 2019.

(e) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.

(f) A bank guarantee of HK1,247,000 (2018: HK$1,247,000) 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.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Derivative instruments in designated hedge accounting relationships		
Cross currency swaps	26,663	–
Interest rate swaps	37,763	39,399
	64,426	**39,399**
Financial assets at amortised costs		
Notes receivables	215,093	218,705
Trade and other receivables	19,955	40,371
Time deposit with original maturity over three months	200,000	200,000
Bank balances and cash	1,761,655	1,399,530
	2,196,703	**1,858,606**
Financial liabilities		
Derivative instruments in designated hedge accounting relationships		
Cross currency swaps	**–**	**17,860**
Financial liabilities at amortised costs		
Trade and other payables	268,678	244,954
Rental deposits received	695,706	–
Distribution payable	783,505	799,023
Bank borrowings	9,441,063	9,467,812
Medium term notes	5,526,206	5,536,292
	16,715,158	**16,048,081**

(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, bank balances and cash, time deposit with original maturity over three months, trade and other payables, rental deposits received, distribution payable and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, 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.

Notes to the Consolidated Financial Statements

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(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 its medium term notes. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 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 Group's foreign currency risk is hedged, no sensitivity analysis has been prepared accordingly.

(ii) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risks in relation to non-derivative financial assets and liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of HIBOR arising from the Group's variable-rate bank borrowings and medium term notes (see notes 19 and 20 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, notes receivables 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 and medium term notes, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2018: 50) basis point increase or decrease is used which represents the Manager's assessment of the reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's (loss) profit before tax and distribution to unitholders for the year ended 31 December 2019 would increase/decrease by HK$26,958,000 (2018: decrease/increase by HK$34,465,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate term loans and medium term notes which are not hedged and has an aggregate amount of HK$5,392,000,000 (2018: HK$6,893,000,000).

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Credit risk and impairment assessment

As at 31 December 2019, 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 and notes receivables, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on derivative financial instrument is limited because the counterparties are banks with external high credit rating assigned byinternational credit-rating agencies.

Based on the ECL assessment, the credit exposures for all the financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2019, no loss allowance provision for the amounts was recognised.

(iv) Liquidity and capital risk management

The Manager monitors and maintains a level of cash and cash equivalents 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 cash and cash equivalents and time deposits with original maturity over three months of a total of HK$1,961,655,000 as at 31 December 2019 (2018: HK$1,599,530,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK$9,785,000,000 (2018: HK$9,800,000,000), of which HK$9,498,635,000 (2018: HK$9,500,000,000) was drawn as at 31 December 2019. The undrawn committed facility in the form of revolving credit facility amounted to HK$286,365,000 as at 31 December 2019 (2018: HK$300,000,000).

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) 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. The Group issued an aggregate principal amount of approximately HK$2,543,000,000 and US$386,400,000 as at 31 December 2019 (2018: HK$2,543,000,000 and US$386,400,000).

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed revolving credit facility of HK$286,365,000 (2018: HK$300,000,000) and a balance of approximately HK$2,236,000,000 (2018: HK$2,262,000,000) 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 2019, the Group's current liabilities exceeded its current assets by HK$2,074,449,000 (2018: HK$4,727,043,000). The Manager is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Group, the Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The Group also considers the cost of capital and the risks associated with the capital. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value as required by the REIT Code. As at 31 December 2019, the gearing ratio was 18.0% (2018: 17.6%). The ratio is calculated as total borrowings (principal amounts of bank borrowings and medium term notes) divided by total assets of the Group.

Liquidity and interest risk tables

The following tables detail the Group's expected maturity for its non-derivative financial assets as well as the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables below have been drawn up for non-derivative financial instruments based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a total financial asset and liability basis. For non-derivative financial liabilities, the tables reflect the undiscounted (outflows) of financial liabilities (except Manager's fee payable to be settled by units of Champion REIT) based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) 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 2019							
Non-interest bearing							
Trade and other receivables	–	19,955	–	–	–	19,955	19,955
Variable interest rate							
Bank balances and cash	2.10	1,761,705	–	–	–	1,761,705	1,761,655
Fixed interest rate							
Notes receivables	4.95	7,944	106,089	121,543	–	235,576	215,093
Time deposit with original maturity over three months	2.51	200,000	–	–	–	200,000	200,000
		207,944	106,089	121,543	–	435,576	415,093
Total		**1,989,604**	**106,089**	**121,543**	**–**	**2,217,236**	**2,196,703**
Non-interest bearing							
Trade and other payables		(268,678)	–	–	–	(268,678)	(268,678)
Rental deposits received		(250,171)	(142,010)	(303,525)	–	(695,706)	(695,706)
Distribution payable		(783,505)	–	–	–	(783,505)	(783,505)
		(1,302,354)	(142,010)	(303,525)	–	(1,747,889)	(1,747,889)
Variable interest rate instruments							
Bank borrowings	3.35	(1,145,546)	(3,919,742)	(5,051,114)	–	(10,116,402)	(9,441,063)
Medium term notes	3.70	(23,809)	(23,809)	(648,952)	–	(696,570)	(643,000)
		(1,169,355)	(3,943,551)	(5,700,066)	–	(10,812,972)	(10,084,063)
Fixed interest rate instruments							
Medium term notes	3.56	(374,409)	(168,709)	(3,546,500)	(1,575,989)	(5,665,607)	(4,883,206)
Total		**(2,846,118)**	**(4,254,270)**	**(9,550,091)**	**(1,575,989)**	**(18,226,468)**	**(16,715,158)**

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) 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 2018							
Non-interest bearing							
Trade and other receivables	–	40,371	–	–	–	40,371	40,371
Variable interest rate							
Bank balances and cash	1.68	1,399,642	–	–	–	1,399,642	1,399,530
Fixed interest rate							
Notes receivables	4.95	7,987	10,463	173,840	55,034	247,324	218,705
Time deposit with original maturity over three months	2.91	200,000	–	–	–	200,000	200,000
		207,987	10,463	173,840	55,034	447,324	418,705
Total		**1,648,000**	**10,463**	**173,840**	**55,034**	**1,887,337**	**1,858,606**
Non-interest bearing							
Trade and other payables	–	(244,954)	–	–	–	(244,954)	(244,954)
Distribution payable	–	(799,023)	–	–	–	(799,023)	(799,023)
		(1,043,977)	–	–	–	(1,043,977)	(1,043,977)
Variable interest rate instruments							
Bank borrowings	3.13	(3,940,336)	(185,247)	(5,891,081)	–	(10,016,664)	(9,467,812)
Medium term notes	3.66	(23,559)	(23,559)	(672,449)	–	(719,567)	(643,000)
		(3,963,895)	(208,806)	(6,563,530)	–	(10,736,231)	(10,110,812)
Fixed interest rate instruments							
Medium term notes	3.55	(175,024)	(375,024)	(3,477,324)	(1,831,834)	(5,859,206)	(4,893,292)
Total		**(5,182,896)**	**(583,830)**	**(10,040,854)**	**(1,831,834)**	**(17,639,414)**	**(16,048,081)**

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) 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 2019						
Derivatives – net settlement						
Cross currency swaps	(495)	(700)	44,095	–	42,900	26,663
Interest rate swaps	32,350	27,536	39,888	–	99,774	37,763
As at 31 December 2018						
Derivatives – net settlement						
Cross currency swaps	785	(495)	(10,339)	–	(10,049)	(17,860)
Interest rate swaps	20,755	25,775	11,626	–	58,156	39,399

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

32. 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)	Fair value as at 31 December 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position	**26,663**	(17,860)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	**37,763**	39,399	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Levels 1 and 2 in both current and last years.

The fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

33. 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 2018	(18,913)	66,443	10,172,623	4,612,054	730,979	15,563,186
Cash flows	(11,166)	(381,262)	(725,000)	911,971	(1,461,999)	(1,667,456)
Finance costs (note)	–	396,189	20,189	5,093	–	421,471
Foreign exchange translations	–	143	–	7,174	–	7,317
Other changes						
Fair value adjustments	8,540	–	–	–	–	8,540
Distribution declared	–	–	–	–	1,530,045	1,530,045
Other non-cash changes	–	–	–	–	(2)	(2)
At 31 December 2018	**(21,539)**	**81,513**	**9,467,812**	**5,536,292**	**799,023**	**15,863,101**
Cash flows	14,226	(465,065)	(53,215)	–	(1,581,356)	(2,085,410)
Finance costs (note)	–	466,423	26,466	6,269	–	499,158
Foreign exchange translations	–	–	–	(16,355)	–	(16,355)
Other changes						
Fair value adjustments	(57,113)	–	–	–	–	(57,113)
Distribution declared	–	–	–	–	1,565,536	1,565,536
Other non-cash changes	–	–	–	–	302	302
At 31 December 2019	**(64,426)**	**82,871**	**9,441,063**	**5,526,206**	**783,505**	**15,769,219**

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

34. EVENT AFTER THE END OF THE REPORTING PERIOD

Office demand and retail sentiments are expected to be severely impacted by the recent outbreak of a coronavirus (COVID-19). Therefore, the Group expects weak performance from commercial properties in Hong Kong in 2020. Given the dynamic nature of the circumstances, the related impact on our Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage. The related impacts will be reflected in the Group's 2020 interim and annual consolidated financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2019 and 2018.

Name	Issued and fully paid share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	HK$1,000	Property investment
CP (A1) Limited	HK$1	Property investment
CP (B1) Limited	HK$1	Property investment
CP (MC) Limited	HK$1	Property investment
CP (PH) Limited	HK$1	Property investment
CP (SH) Limited	HK$1	Property investment
CP (WC) Limited	HK$1	Property investment
CP Finance Limited	HK$1	Financing
CP (Portion A) Limited	HK$2	Property investment
CP (Portion B) Limited	HK$2	Property investment
CP Success Limited	HK$1	Financing
CP Wealth Limited	HK$1	Financing and Treasury
Elegant Wealth Limited	HK$1	Property investment
Maple Court Limited	HK$2	Property investment
Panhy Limited	HK$2	Property investment
Renaissance City Development Company Limited	HK$20	Property investment
Shine Hill Development Limited	HK$1,000,000	Property investment
Trump Treasure Limited	HK$1	Treasury
Well Charm Development Limited	HK$2	Property investment
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT:		
Champion MTN Limited	US$1	Medium term notes issuer
Ernest Limited	US$100	Investment holding
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
EAM-Champion REIT Limited	US$1	Securities investment

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 20, no other subsidiaries had issued any debt securities at 31 December 2019 and 2018 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 for the reporting period were given below:

Real estate agents	Nature of service	Commission paid (HK$'000)	Relevant cost (%)
Eagle Property Management (CP) Limited	Leasing	43,687	84.2
Colliers International Agency Limited	Leasing	3,689	7.1
Cushman & Wakefield (HK) Limited	Leasing	2,528	4.9
Midland Realty (Comm.) Limited	Leasing	577	1.1
Century 21 Alliances Realty Limited	Leasing	505	1.0
Total		**50,986**	**98.3**

TOP FIVE CONTRACTORS

The top five contractors and their respective value of service for the reporting period were given below:

Contractors	Nature of service	Value of contract (HK$'000)	Relevant cost (%)
The Great Eagle Properties Management Company, Limited	Building management	313,500	65.1
Eagle Property Management (CP) Limited	Property and lease management	83,014	17.2
Longworth Management Limited	Building management	53,286	11.1
Makeitloud Marketing Limited	Promotion expenses	5,022	1.0
Keysen Engineering Company, Limited	Repairs and maintenance expenses	2,286	0.5
Total		**457,108**	**94.9**

Performance Table

	2019	2018	2017	2016	2015
As at 31 December:					
Net asset value (HK$'000)	**64,834,322**	66,760,928	60,351,242	50,534,753	48,468,147
Net asset value per unit (HK$)	**11.04**	11.42	10.36	8.72	8.40
The highest traded price during the period (HK$)	**6.89**	5.86	6.25	5.00	4.59
The highest premium of the traded price to net asset value per unit[1]	**N/A**	N/A	N/A	N/A	N/A
The lowest traded price during the period	**4.88**	5.13	4.18	3.35	3.57
The highest discount of the traded price to net asset value per unit	**55.8%**	55.1%	59.7%	61.6%	57.5%
For the year ended 31 December:					
The distribution yield per unit[2]	**5.2%**	4.9%	4.2%	5.5%	5.1%
The net (loss) profit yield per unit[3]	**(1.9%)**	24.9%	33.4%	13.1%	14.8%

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$0.2666 (which calculation was set out in the Distribution Statement) for the year ended 31 December 2019 over the closing unit price of HK$5.15 recorded on 31 December 2019.

3. Net loss yield per unit is calculated based on the loss for the year before distribution to unitholders per unit for the year ended 31 December 2019 over the closing unit price of HK$5.15 recorded on 31 December 2019.

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 131 to 194, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2018 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 matter	How our audit addressed the 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 associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties amounted to HK$83,135,000,000, representing approximately 97.5% of the Group's total assets, with its change in fair value included in the consolidated income statement. During the year, an increase in fair value of investment properties amounted to HK$6,411,601,000. 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 14 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.	Our procedures in relation to assessing the appropriateness of the valuation of investment properties included: • evaluating the competence, capabilities, and objectivity of the independent qualified professional valuer; • understanding the independent qualified professional valuer's valuation process and methodology (including any limitations of scope imposed by the Manager), the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used in the valuations; • evaluating the reasonableness of the methodology and assumptions to industry norms; • assessing the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the respective underlying existing tenancy agreements; (ii) comparing to relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the neighbourhood; and • performing analysis on the key inputs to evaluate the results on the valuations.

Independent
Auditor's Report

Other Information

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

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

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

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

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

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

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the deed of trust dated 26 April 2006, as amended from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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, related safeguards.

Independent
Auditor's Report

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

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.

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 Keung To Wai, David.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong
21 February 2019

Consolidated **Income Statement**

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Rental income	6	2,641,489	2,396,316
Building management fee income	6	287,726	268,878
Rental related income	7	35,757	34,705
Total revenue		**2,964,972**	**2,699,899**
Property operating expenses	8	(559,649)	(533,585)
Net property income		**2,405,323**	**2,166,314**
Interest income		28,182	17,729
Manager's fee	9	(288,639)	(259,958)
Trust and other expenses		(27,399)	(20,667)
Increase in fair value of investment properties	14	6,411,601	9,850,151
Finance costs	10	(428,187)	(348,638)
Profit before tax and distribution to unitholders	11	**8,100,881**	**11,404,931**
Income taxes	12	(288,824)	(265,279)
Profit for the year, before distribution to unitholders		**7,812,057**	**11,139,652**
Distribution to unitholders		(1,530,045)	(1,412,730)
Profit for the year, after distribution to unitholders		**6,282,012**	**9,726,922**
Basic earnings per unit	13	**HK$1.34**	**HK$1.92**

Consolidated Statement **of Comprehensive Income**

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year, after distribution to unitholders	**6,282,012**	**9,726,922**
Other comprehensive (expense)/income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	(8,540)	(39,856)
Reclassification of fair value adjustments to profit or loss	(509)	3,626
	(9,049)	**(36,230)**
Total comprehensive income for the year	**6,272,963**	**9,690,692**

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	14	83,135,000	76,704,000
Notes receivables	15	218,705	220,531
Derivative financial instruments	21	39,399	36,587
Total non-current assets		83,393,104	76,961,118
Current assets			
Trade and other receivables	16	296,849	294,910
Tax recoverable		1,022	6,421
Time deposit with original maturity over three months	17	200,000	–
Bank balances and cash	17	1,399,530	1,190,389
Total current assets		1,897,401	1,491,720
Total assets		**85,290,505**	**78,452,838**
Current liabilities			
Trade and other payables	18	1,337,168	1,338,049
Deposits received		761,175	652,685
Tax liabilities		30,363	38,921
Distribution payable		799,023	730,979
Secured bank borrowings	19	3,696,715	–
Total current liabilities		6,624,444	2,760,634
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	19	5,771,097	10,172,623
Medium term notes	20	5,536,292	4,612,054
Derivative financial instruments	21	17,860	17,674
Deferred tax liabilities	22	579,884	538,611
Total non-current liabilities, excluding net assets attributable to unitholders		11,905,133	15,340,962
Total liabilities, excluding net assets attributable to unitholders		**18,529,577**	**18,101,596**
Net assets attributable to unitholders		**66,760,928**	**60,351,242**
Number of units in issue ('000)	23	**5,847,093**	**5,823,028**
Net asset value per unit	25	**HK$11.42**	**HK$10.36**

The consolidated financial statements on pages 131 to 194 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 2019 and were signed on its behalf by:

LO Ka Shui
DIRECTOR

Wong Ka Ki, Ada
DIRECTOR

Consolidated Statement of Changes in **Net Assets Attributable to Unitholders**

For the year ended 31 December 2018

	Issued units HK$'000 (note 23)	Hedging reserve HK$'000	Others HK$'000 (note)	Profit less distribution HK$'000	Total HK$'000
Net assets attributable to unitholders as at 1 January 2017	24,152,429	30,043	5,757,943	20,594,348	50,534,763
Profit for the year, after distribution to unitholders	–	–	–	9,726,922	9,726,922
Cash flow hedges	–	(36,230)	–	–	(36,230)
Total comprehensive income for the year	–	(36,230)	–	9,726,922	9,690,692
Issue of units	125,787	–	–	–	125,787
Net assets attributable to unitholders as at 31 December 2017	**24,278,216**	**(6,187)**	**5,757,943**	**30,321,270**	**60,351,242**
Profit for the year, after distribution to unitholders	–	–	–	6,282,012	6,282,012
Cash flow hedges	–	(9,049)	–	–	(9,049)
Total comprehensive income for the year	–	(9,049)	–	6,282,012	6,272,963
Issue of units	136,723	–	–	–	136,723
Net assets attributable to unitholders as at 31 December 2018	**24,414,939**	**(15,236)**	**5,757,943**	**36,603,282**	**66,760,928**

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 2018

	2018 HK$'000	2017 HK$'000
Profit for the year, before distribution to unitholders	**7,812,057**	**11,139,652**
Adjustments:		
– Manager's fee paid and payable in units	144,319	129,979
– Increase in fair value of investment properties	(6,411,601)	(9,850,151)
– Non-cash finance costs	24,525	26,968
– Deferred tax	41,273	40,636
Total distributable income to unitholders (note (i))	**1,610,573**	**1,487,084**
Interim distribution, paid to unitholders (note (ii))	731,022	681,751
Final distribution, to be paid to unitholders (note (iii))	799,023	730,979
Total distributions for the year	**1,530,045**	**1,412,730**
Payout ratio	**95.0%**	**95.0%**
Distributions per unit:		
Interim distribution per unit, paid to unitholders (note (ii))	HK$0.1250	HK$0.1171
Final distribution per unit, to be paid to unitholders (note (iii))	HK$0.1367	HK$0.1253
	HK$0.2617	**HK$0.2424**

Notes:

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

(ii) The interim distribution per unit of HK$0.1250 (2017: HK$0.1171) for the six months ended 30 June 2018 is calculated based on the interim distribution of HK$731,022,000 (2017: HK$681,751,000) for the period and 5,847,092,804 units (2017: 5,823,028,120 units) in issue as of 21 September 2018 (2017: 22 September 2017), which was the record date for the period. The distribution was paid to unitholders on 5 October 2018.

(iii) The final distribution per unit of HK$0.1367 (2017: HK$0.1253) for the year ended 31 December 2018 is calculated based on the final distribution to be paid to unitholders of HK$799,023,000 (2017: HK$730,979,000) for the period and 5,847,092,804 units (2017: 5,834,898,392 units) in issue as at 31 December 2018 (2017: 9 May 2018). The final distribution per unit for the year ended 31 December 2018 will be subject to further adjustments upon the issuance of units between 1 January 2019 and 9 May 2019, which is the record date set for such period. The final distribution will be paid to unitholders on 17 May 2019.

Consolidated Statement **of Cash Flows**

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before tax and distribution to unitholders	8,100,881	11,404,931
Adjustments for:		
Increase in fair value of investment properties	(6,411,601)	(9,850,151)
Manager's fee paid and payable in units	144,319	129,979
Interest income	(28,182)	(17,729)
Finance costs	428,187	348,638
Exchange difference	(449)	(1,515)
Operating cash flow before movements in working capital	2,233,155	2,014,153
Decrease in trade and other receivables	2,395	21,347
(Decrease) increase in trade and other payables	(23,550)	43,487
Increase in deposits received	108,490	76,986
Cash generated from operations	2,320,490	2,155,973
Interest paid	(392,428)	(312,220)
Hong Kong Profits Tax paid	(250,710)	(236,848)
Net cash from operating activities	**1,677,352**	**1,606,905**
Investing activities		
Placement of time deposit with original maturity over three months	(200,000)	–
Additions to investment properties	(19,399)	(12,349)
Interest received	26,216	20,269
Net cash (used in) from investing activities	**(193,183)**	**7,920**
Financing Activities		
Distribution paid	(1,461,999)	(1,378,154)
Repayment of bank loan	(725,000)	(775,000)
Proceeds from issuance of medium term notes	925,000	775,000
Medium term notes issue cost	(13,029)	(3,813)
Net cash used in financing activities	**(1,275,028)**	**(1,381,967)**
Net increase in cash and cash equivalents	**209,141**	**232,858**
Cash and cash equivalents at beginning of the year	**1,190,389**	**957,531**
Cash and cash equivalents at end of year, represented by bank balances and cash	**1,399,530**	**1,190,389**

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

1. GENERAL

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

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

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

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

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

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions 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 2018

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)

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

The Manager considers that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

HKFRS 9 "Financial Instruments and the related amendments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses ("ECL") for financial assets and iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

The Manager reviewed and assessed the financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. All financial assets of the Group continues to be measured at amortised cost or fair value. Except for the assessment of impairment under ECL model for financial assets at amortised costs, the application of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[5] Effective for annual periods beginning on or after 1 January 2020.

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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 include the relevant provisions of the Trust Deed, 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, 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.

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 2018, the Group's current liabilities exceeded its current assets by HK$4,727,043,000 (2017: HK$1,268,914,000). Management reviews the Group's financial position and is now negotiating with banks to refinance existing secured term loans which are due within one year. The Manager is of the opinion that, taking into account of the fair value of investment properties available to pledge for new financing if needed, presently available banking facilities and internal financial resources, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

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

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. 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

(A) Upon application of HKFRS 9 in accordance with transitions in note 2

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

For financial assets at amortised cost, interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. 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

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, notes receivables, time deposits with original maturity over three months and bank balances and cash). 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 financial assets. The ECL on these assets are assessed individually for debtors.

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, 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.

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

Despite the foregoing, the Group assumes that the credit risk on others debtor and bank balances has not increased significantly since initial recognition if 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.

The Group considers the default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(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 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (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 adjusted by 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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.

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.

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.

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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, distribution payable, secured 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 it 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Derivative financial instruments

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

Hedge accounting

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

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

For 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.

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Hedge accounting (continued)

Fair value hedges

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

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

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

Cash flow hedges

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Derecognition/non-substantial modification 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.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

(B) Before application of HKFRS 9 on 1 January 2018

Financial assets

The Group's financial assets are classified as notes receivables and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Financial assets (continued)

Notes receivables

Notes receivables are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market and that the Group has the positive intention and ability to hold to maturity. The Group designated notes receivables as Notes receivables. Subsequent to initial recognition, notes receivables are measured at amortised cost using the effective interest method, less any impairment (see accounting policies on impairment losses on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio beyond the invoice date, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Impairment of financial assets (continued)

The amount of the impairment loss is recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity 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.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of it 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.

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.

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For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Financial liabilities and equity (continued)

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

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.

Derivative financial instruments

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

Hedge accounting

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

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and 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 that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

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 cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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.

Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

(A) Upon application of HKFRS 15 in accordance with transitions in Note 2

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

Output method

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(B) Prior to January 2018

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant leases. Lease incentives provided to the lessees are amortised on a straight-line basis over the respective term of the lease.

Building management fee income is recognised when building management services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

All borrowing costs in relation to non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management 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 associated 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 its investment properties.

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

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

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 management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management 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 14.

In addition, as described in note 21, 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 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 and cross currency swaps may arise. In relying on the valuation reports, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

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 2018

	Three Garden Road	Langham Place Office Tower	Langham Place Mall	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,548,766**	**400,361**	**1,015,845**	**2,964,972**
Segment results – Net property income	**1,270,470**	**321,896**	**812,957**	**2,405,323**
Interest income				28,182
Manager's fee				(288,639)
Trust and other expenses				(27,399)
Increase in fair value of investment properties				6,411,601
Finance costs				(428,187)
Profit before tax and distribution to unitholders				**8,100,881**
Income taxes				(288,824)
Profit for the year, before distribution to unitholders				**7,812,057**
Distribution to unitholders				(1,530,045)
Profit for the year, after distribution to unitholders				**6,282,012**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	**3,715,881**	**460,000**	**2,235,720**	**6,411,601**

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For the year ended 31 December 2018

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2017

	Three Garden Road HK$'000	Langham Place Office Tower HK$'000	Langham Place Mall HK$'000	Consolidated HK$'000
Revenue	**1,376,761**	**392,298**	**930,840**	**2,699,899**
Segment results – Net property income	**1,112,370**	**318,211**	**735,733**	**2,166,314**
Interest income				17,729
Manager's fee				(259,958)
Trust and other expenses				(20,667)
Increase in fair value of investment properties				9,850,151
Finance costs				(348,638)
Profit before tax and distribution to unitholders				**11,404,931**
Income taxes				(265,279)
Profit for the year, before distribution to unitholders				**11,139,652**
Distribution to unitholders				(1,412,730)
Profit for the year, after distribution to unitholders				**9,726,922**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Increase in fair value of investment properties	**6,820,598**	**973,000**	**2,056,553**	**9,850,151**

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	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 2018				
Additions to non-current assets	**13,119**	**–**	**6,280**	**19,399**
For the year ended 31 December 2017				
Additions to non-current assets	10,402	–	1,947	12,349

Segment assets and liabilities

For the purpose of performance assessment, fair values of investment properties are reviewed by the CODM. As at 31 December 2018, the fair value of Three Garden Road, Langham Place Office Tower and Langham Place Mall was HK$49,890,000,000 (2017: HK$46,161,000,000), HK$9,910,000,000 (2017: HK$9,450,000,000) and HK$23,335,000,000 (2017: HK$21,093,000,000), respectively.

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

Geographical information

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

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

Information about major tenants

There were no tenants whose revenue contributed over 10% of the total revenue of the Group for the both years ended 31 December 2018 and 2017.

Notes to the Consolidated **Financial Statements**

For the year ended 31 December 2018

6. RENTAL INCOME AND BUILDING MANAGEMENT FEE INCOME

	2018 HK$'000	2017 HK$'000
Rental income	2,593,753	2,350,893
Car park income	47,736	45,423
	2,641,489	**2,396,316**

	2018 HK$'000	2017 HK$'000
Building management fee income	**287,726**	**268,878**

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

7. RENTAL RELATED INCOME

	2018 HK$'000	2017 HK$'000
Interest income from tenants	306	524
Promotional levy income	13,058	11,768
Sundry income	22,393	22,413
	35,757	**34,705**

8. PROPERTY OPERATING EXPENSES

	2018 HK$'000	2017 HK$'000
Building management expenses	321,956	304,039
Car park operating expenses	11,657	10,230
Government rent and rates	76,098	72,059
Legal cost and stamp duty	3,370	3,110
Promotion expenses	17,397	19,909
Property and lease management service fee	80,329	73,379
Property miscellaneous expenses	2,707	5,690
Rental commission	40,553	41,258
Repairs and maintenance	5,582	3,911
	559,649	**533,585**

9. MANAGER'S FEE

Pursuant to the Trust Deed, as the net property income of Champion REIT exceeds HK$200 million for each of the six months ended 30 June 2018 and 31 December 2018, the Manager is entitled to receive 12% of the net property income for each of the six months ended 30 June 2018 and 31 December 2018 as remuneration.

	2018 HK$'000	2017 HK$'000
Manager's fee:		
In the form of units	144,319	129,979
In the form of cash	144,320	129,979
	288,639	**259,958**

Based on the election on 30 November 2012, the Manager continued to receive 50% of the Manager's fee for each of the six months ended 30 June and 31 December 2018 arising from the properties currently owned by Champion REIT in the form of units calculated based on the issue price per unit as determined in accordance with the Trust Deed, and the balance of 50% in the form of cash.

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Finance costs represent:		
Interest expense on bank borrowings	246,034	200,757
Interest expense on medium term notes	181,961	146,931
Other borrowing costs	192	950
	428,187	**348,638**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

11. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	2018 HK$'000	2017 HK$'000
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditors' remuneration	**2,180**	2,050
Trustee's remuneration	**14,084**	12,548
Principal valuer's fee	**312**	335
Other professional fees and charges	**9,105**	4,655
Roadshow and public relations expenses	**1,832**	1,258
Bank charges	**285**	253
Exchange difference	**(449)**	(1,515)

12. INCOME TAXES

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax:		
Current tax		
– Current year	247,375	225,173
– Under(over)provision in prior years	176	(530)
	247,551	224,643
Deferred tax (note 22)		
– Current year	41,273	40,636
	288,824	**265,279**

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

12. INCOME TAXES (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Profit before tax and distribution to unitholders	**8,100,881**	**11,404,931**
Tax at the domestic income tax rate of 16.5%	1,336,645	1,881,814
Tax effect of income not taxable for tax purpose	(1,062,609)	(1,628,438)
Tax effect of expenses not deductible for tax purpose	15,166	13,308
Under(over)provision in prior years	176	(530)
Utilisation of tax losses previously not recognised	(554)	(875)
Income taxes for the year	**288,824**	**265,279**

13. BASIC EARNINGS PER UNIT

The calculation of the basic earnings per unit before distribution to unitholders is based on the profit for the year, before distribution to unitholders of HK$7,812,057,000 (2017: HK$11,139,652,000) with the weighted average number of units of 5,840,508,339 (2017: 5,815,899,965) in issue during the year, taking into account the units issuable as Manager's fee for its service for each of the year ended 31 December 2018 and 2017.

There were no dilutive potential units during the years ended 31 December 2018 and 2017, therefore the diluted earnings per unit has not been presented.

Notes to the Consolidated **Financial Statements**

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14. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
FAIR VALUE		
At the beginning of the year	76,704,000	66,841,500
Additions during the year	19,399	12,349
Increase in fair value	6,411,601	9,850,151
At the end of the year	**83,135,000**	**76,704,000**

The fair value of the Group's investment properties at 31 December 2018 and 31 December 2017 has been arrived at on the basis of valuation carried out by Colliers International (Hong Kong) Ltd and Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group, respectively. The valuation was arrived by using the Income Capitalisation Approach which is a method of valuation whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at its current market rent as at the end of the reporting period. Upon the expiry of the existing tenancy, each of the leased area is assumed to be let at the market rent as at the end of the reporting period, which is in turn capitalised at the market yield as expected by investors for the period which the property is held with expectations of renewal of Government lease upon its expiry. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors. The expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating cost, risk factor and the like. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

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

As at 31 December 2018, certain investment properties with total fair value of HK$49,890,000,000 (2017: HK$46,161,000,000) have been mortgaged as security for credit facilities as detailed in note 19.

14. INVESTMENT PROPERTIES (CONTINUED)

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 2018 and 2017					
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 3.6% for office and 4.25% for retail (2017: 3.6% for office and 4.25% 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$5,996 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK$7,927 million (capitalisation rate of 3.1% for office and 3.75% for retail) respectively (2017: decrease by approximately HK$5,626 million (capitalisation rate of 4.1% for office and 4.75% for retail) and increase by approximately HK$7,438 million (capitalisation rate of 3.1% for office and 3.75% for retail) 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$2,274 million and decrease by approximately HK$2,273 million, respectively (2017: increase by approximately HK$2,144 million and decrease by approximately HK$2,142 million, respectively).

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14. 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 2018 and 2017 (continued)					
Langham Place Office Tower and Langham Place Mall	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.75% for retail and 4.0% for office (2017: 3.75% for retail and 4.0% 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$3,757 million (capitalisation rate of 4.25% for retail and 4.5% for office) and increase by approximately HK$4,891 million (capitalisation rate of 3.25% for retail and 3.5% for office) respectively (2017: decrease by approximately HK$3,496 million (capitalisation rate of 4.25% for retail and 4.5% for office) and increase by approximately HK$4,519 million (capitalisation rate of 3.25% for retail and 3.5% 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$1,477 million and decrease by approximately HK$1,476 million, respectively (2017: increase by approximately HK$1,394 million and decrease by approximately HK$1,426 million, respectively).

15. NOTES RECEIVABLES

As at 31 December 2018, the Group held unsecured bonds with aggregate carrying amounts of HK$218,705,000 (2017: HK$220,531,000), which are denominated in United States dollar with nominal values ranging from US$1,200,000 to US$7,640,000 (2017: US$1,200,000 to US$7,640,000). The unsecured bonds bear interest at fixed interest rates ranging from 3.75% to 5.875% (2017: 3.75% to 5.875%) per annum and have maturity dates ranging from February 2021 to May 2024 (2017: February 2021 to May 2024).

16. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	27,736	24,646
Deferred rent receivables	169,575	183,291
Deposits, prepayments and other receivables	99,538	86,973
	296,849	**294,910**

Rental receivables from tenants 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 presented based on the invoice date at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
0 - 3 months	27,736	24,646

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$27,736,000 (2017: HK$24,646,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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17. TIME DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Cash on hand	–	2
Cash at bank	445,774	412,887
Time deposits with original maturity of three months or less	953,756	777,500
	1,399,530	**1,190,389**

	2018 HK$'000	2017 HK$'000
Time deposit with original maturity over three months but not exceeding one year	**200,000**	**–**

Bank balances carry interest at market rates of 0.125% to 0.425% (2017: 0.001% to 0.31%) per annum. Time deposits with original maturity of three months or less carry interest at market rates ranging from 2.5% to 3.285% (2017: 0.95% to 1.975%) per annum. Time deposit with original maturity over three months but not exceeding one year carries interest at market rate of 2.91% per annum (2017: nil).

18. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	79,127	103,854
Rental received in advance	19,852	24,502
Other payables and accruals	274,714	246,218
Accrued stamp duty	963,475	963,475
	1,337,168	**1,338,049**

The accrual for stamp duty is based on the current stamp duty rate of 4.25% (2017: 4.25%) and the stated consideration of HK$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interest in Three Garden Road upon listing.

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

	2018 HK$'000	2017 HK$'000
0 - 3 months	79,127	103,854

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19. SECURED BANK BORROWINGS

	2018	2017
	HK$'000	HK$'000
Secured bank borrowings	9,500,000	10,225,000
Loan front-end fee	(32,188)	(52,377)
	9,467,812	**10,172,623**
The maturity of the secured bank borrowings is as follows:		
Within one year	3,696,715	–
More than one year but not more than two years	–	4,413,126
More than two years but not exceeding five years	5,771,097	5,759,497
	9,467,812	10,172,623

During the year, the Group early prepaid a total amount of HK$725,000,000 (2017: HK$775,000,000) of its secured term loan under the term loan and revolving credit facilities of HK$5,500,000,000.

As at 31 December 2018, the outstanding secured bank borrowings comprise the following:

(i) HK$3,700,000,000 (2017: HK$4,425,000,000) secured term loan bears interest at a floating rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.83% per annum and is repayable in full in June 2019; and

(ii) HK$5,800,000,000 (2017: HK$5,800,000,000) secured term loan bears interest at a floating rate of HIBOR plus 0.95% per annum and is repayable in full in June 2021.

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of HK$49,890,000,000 as at 31 December 2018 (2017: HK$46,161,000,000) together with the assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from these properties have been pledged and mortgaged to the banks.

20. MEDIUM TERM NOTES

	2018 HK$'000	2017 HK$'000
Medium term notes	5,569,091	4,636,866
Origination fees	(32,799)	(24,812)
	5,536,292	**4,612,054**

The Group established a US$1 billion guaranteed medium term notes programme (the "MTN Programme"), under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating interest rates to be set upon issuance of notes and will be guaranteed by the Trustee, in its capacity as trustee of Champion REIT.

As at 31 December 2018, the outstanding medium term notes comprised the following:

Notional amount	Maturity	Interest rate (p.a.)	Interest period
HK$200,000,000	May 2020	2.85%(i)	Annually
HK$643,000,000	March 2022	3-month HIBOR plus 1.275%	Quarterly
US$386,400,000	January 2023	3.75%(ii)	Semi-annually
HK$200,000,000	October 2024	2.75%	Annually
HK$775,000,000	June 2025	2.85%	Annually
HK$450,000,000	July 2025	4.00%	Semi-annually
HK$275,000,000	April 2028	3.73%	Quarterly

(i) The fixed rate of 2.85% per annum is swapped to floating rate at 1-month HIBOR plus 0.67% per annum by the use of an interest rate swap as mentioned in note 21.

(ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps as mentioned in note 21.

The carrying amounts of the medium term notes approximate their fair values.

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21. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK$'000	2017 HK$'000
Non-current assets		
Cash flow hedge – interest rate swaps (note i)	35,268	36,587
Fair value hedge – interest rate swaps (note i)	4,131	–
	39,399	**36,587**
Non-current liabilities		
Cash flow hedge – cross currency swaps (note ii)	**17,860**	**17,674**

Notes:

(i) Interest rate swaps

The Group entered into interest rate swap contracts of a total notional amount of HK$3,450,000,000 (31 December 2017: HK$3,450,000,000), out of which a total notional amount of HK$1,900,000,000 (31 December 2017: HK$1,900,000,000) were entered with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), to minimise its exposure to fluctuations in interest rates of its variable interest bearing secured term loan. The interest rate swaps and the corresponding secured bank loan have similar terms and the Manager considered that the interest rate swaps were highly effective hedging instruments and qualified as cash flow hedges.

As at 31 December 2018, major terms of the interest rate swaps qualifying as cash flow hedges are set out below:

Notional amount	Maturity	Floating interest rate (p.a.)	Fixed interest rates (p.a.)	Interest period
HK$1,550,000,000	28 June 2021	HIBOR	1.42% to 1.86%	Monthly
HK$1,900,000,000	28 June 2021	HIBOR + 0.95%	2.20% to 2.635%	Monthly

During the year, the loss on changes in fair value of the cross currency swaps and interest rate swaps under cash flow hedges amounting to HK$8,540,000 (2017: loss on changes of HK$39,856,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK$509,000 (2017: HK$3,626,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon and interest payments.

During the year, the Group entered into an interest rate swap contract to convert the fixed rate under the medium term notes as mentioned in note 20(i) to floating rate of 1-month HIBOR plus 0.67% per annum with HSBC. The interest rate swap qualifying as fair value hedge has a maturity date in May 2020, the same date as the corresponding medium term notes. The gain in change in fair values of the interest rate swap under fair value hedge amounting to HK$758,000 has been recognised directly in the consolidated income statement.

The fair value 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(ii) Cross currency swaps

The Group entered into cross currency swaps with total notional amount of US$386,400,000 with HSBC, a connected person as defined in the REIT Code, to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of the United States dollars medium term notes ("USD MTN"), which is denominated in United States dollar, in respect of the principal and fixed rate interest payments. The cross currency swaps and the corresponding medium term notes have similar terms and the Manager considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

Major terms of the cross currency swaps are set out below:

Notional amount	Maturity	Exchange rate	Interest rate (p.a.)	Interest period	Total hedged item
US$200,000,000	17 January 2023	HK$7.7598: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$100,000,000	17 January 2023	HK$7.76: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$50,000,000	17 January 2023	HK$7.7613: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$36,400,000	17 January 2023	HK$7.7541: US$1	3.75%	Quarterly	Medium term note principal and coupon payments

22. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2017	497,975	–	497,975
Charge (credit) to consolidated income statement during the year	40,766	(130)	40,636
As at 31 December 2017	**538,741**	**(130)**	**538,611**
Charge to consolidated income statement during the year	41,143	130	41,273
As at 31 December 2018	**579,884**	**–**	**579,884**

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 2018, the Group has unutilised tax losses amounting to HK$498,418,000 (2017: HK$502,562,000) available to offset against future profits. No deferred tax asset has been recognised during the year (2017: HK$785,000). No deferred tax asset has been recognised in respect of the remaining HK$498,418,000 (2017: HK$501,777,000) due to unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

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23. ISSUED UNITS

	Number of units	HK$'000
Balance at 1 January 2017	5,798,237,327	24,152,429
Payment of Manager's fee through issuance of new units during the year (note (i))	24,790,793	125,787
Balance at 31 December 2017	**5,823,028,120**	**24,278,216**
Payment of Manager's fee through issuance of new units during the year (note (i))	24,064,684	136,723
Balance at 31 December 2018	**5,847,092,804**	**24,414,939**

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 2018				
1 March 2018	1.7.2017 to 31.12.2017	5.570	11,870,272	66,117
31 August 2018	1.1.2018 to 30.6.2018	5.790	12,194,412	70,606
			24,064,684	**136,723**
In 2017				
14 March 2017	1.7.2016 to 31.12.2016	4.500	13,761,193	61,926
30 August 2017	1.1.2017 to 30.6.2017	5.790	11,029,600	63,861
			24,790,793	125,787

24. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2018, 24,064,684 (2017: 24,790,793) units were issued as payment for the Manager's fee, amounting to HK$136,723,000 (2017: HK$125,787,000).

25. 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 2018 of HK$66,760,928,000 (2017: HK$60,351,242,000) by the number of units in issue of 5,847,092,804 as at 31 December 2018 (2017: 5,823,028,120).

26. NET CURRENT LIABILITIES

At 31 December 2018, the Group's net current liabilities, calculated as current liabilities less current assets, amounted to HK$4,727,043,000 (2017: HK$1,268,914,000).

27. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2018, the Group's total assets less current liabilities amounted to HK$78,666,061,000 (2017: HK$75,692,204,000).

28. OPERATING LEASE COMMITMENTS

At 31 December 2018, commitments in respect of non-cancellable operating leases for rental of investment properties were as follows:

	2018 HK$'000	2017 HK$'000
Within one year	2,332,632	2,172,249
In the second to fifth year inclusive	3,518,694	2,973,286
Over five years	193,298	169,941
	6,044,624	**5,315,476**

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 contingent rentals are charged based on the percentage of sales. Contingent rental income of HK$188,050,000 (2017: HK$116,701,000) was received for the year.

Certain future minimum lease payments 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.

29. CAPITAL COMMITMENT

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	**19,551**	–

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30. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2018 HK$'000	2017 HK$'000
Rental income			
The Great Eagle Properties Management Company, Limited	(a)	**7,216**	6,302
Eagle Asset Management (CP) Limited	(a)	**821**	680
Eagle Property Management (CP) Limited	(a)	**5,827**	4,445
Best Come Limited	(a)	**14,843**	14,843
Ease Treasure Investment Limited	(a)	**922**	–
Interest income			
HSBC Group[1,3]	(b)	**5,704**	1,614
Building management fee income			
The Great Eagle Properties Management Company, Limited	(a)	**884**	844
Eagle Asset Management (CP) Limited	(a)	**79**	48
Eagle Property Management (CP) Limited	(a)	**707**	669
Best Come Limited	(a)	**1,811**	1,725
Ease Treasure Investment Limited	(a)	**104**	–
Building management expenses and car park operating expenses			
The Great Eagle Properties Management Company, Limited	(a)	**282,921**	265,292
Longworth Management Limited	(a)	**50,741**	49,071
Property and lease management service fee			
Eagle Property Management (CP) Limited	(a)	**80,329**	73,379
Rental commission			
Eagle Property Management (CP) Limited	(a)	**27,845**	26,195
Knight Frank Petty Limited[3]	(c)	**322**	–
Repairs and maintenance fee			
The Great Eagle Engineering Company Limited	(a)	**573**	1,133
Toptech Co. Limited	(a)	**1,673**	892
Keysen Engineering Company, Limited	(a)	**1,855**	86
The Great Eagle Properties Management Company, Limited	(a)	**8**	7

30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2018 HK$'000	2017 HK$'000
Repairs and maintenance and renovations contracted to			
The Great Eagle Engineering Company Limited[3]	(a)	**421**	7,026
Toptech Co. Limited[3]	(a)	**–**	2,011
Keysen Engineering Company, Limited[3]	(a)	**2,101**	1,172
The Great Eagle Properties Management Company, Limited[3]	(a)	**8**	7
Acquisition cost of investment properties			
The Great Eagle Engineering Company Limited[3]	(a)	**–**	644
Keysen Engineering Company, Limited[3]	(a)	**–**	59
The Great Eagle Properties Management Company, Limited[3]	(a)	**–**	1,235
Property miscellaneous expenses			
GE (LHIL) Lessee Limited	(a)	**10**	23
Clever Gain Investment Limited	(a)	**268**	260
Trustee's fee and other expenses			
HSBC Institutional Trust Services (Asia) Limited[3]	(b)	**14,084**	12,548
Best Come Limited	(a)	**126**	223
Great Eagle Hotels (UK) Limited	(a)	**98**	–
上海禮興酒店有限公司	(a)	**15**	–
HSBC Group[1,3]	(b)	**135**	130
Manager's fee			
Eagle Asset Management (CP) Limited	(a) & (d)	**288,639**	259,958
Finance costs			
Hang Seng Bank Limited[3]	(b)	**240,068**	175,161
The Hongkong and Shanghai Banking Corporation Limited[3]	(b)	**200**	11,883
Valuation fee			
Knight Frank Petty Limited[3]	(c)	**17**	335
Colliers International (Hong Kong) Limited[3]	(c)	**295**	–

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30. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with connected and related parties are as follows:

	Notes	2018 HK$'000	2017 HK$'000
Amount due from			
The Great Eagle Properties Management Company, Limited	(a) & (e)	**55,105**	48,674
Longworth Management Limited	(a) & (e)	**15,311**	15,311
Toptech Co. Limited	(a) & (e)	**948**	708
Amount due to			
Eagle Property Management (CP) Limited	(a) & (e)	**20,678**	15,065
Eagle Asset Management (CP) Limited	(a) & (e)	**147,772**	132,235
The Great Eagle Engineering Company Limited	(a) & (e)	**376**	5,391
The Great Eagle Properties Management Company, Limited	(a) & (e)	**19,263**	36,278
Keysen Engineering Company, Limited	(a) & (e)	**1,632**	483
Deposits placed with the Group for the lease of the Group's properties			
Eagle Property Management (CP) Limited	(a) & (f)	**559**	392
The Great Eagle Properties Management Company, Limited	(a)	**2,103**	1,519
Best Come Limited	(a)	**7,669**	2,214
Eagle Asset Management (CP) Limited	(a)	**117**	117
Ease Treasure Investment Limited	(a)	**1,661**	–

Notes:

(a) These companies are the subsidiaries directly or indirectly held by Great Eagle, a significant unitholder of Champion REIT.

(b) These companies are the Trustee or associates[2] of the Trustee.

(c) This company is the principal valuer of Champion REIT or its associates[2].

(d) The Manager's fee is calculated at 12% of the net property income provided that Champion REIT achieves net property income of HK$200 million for each of the six months period ended 30 June 2018 and 31 December 2018.

(e) The amounts due from and due to connected and related parties are unsecured, interest-free and have no fixed repayment terms.

(f) A bank guarantee of HK1,247,000 (2017: HK$952,000) 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.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Derivative instruments in designated hedge accounting relationships		
Interest rate swaps	39,399	36,587
Notes receivables	218,705	220,531
Financial assets at amortised cost		
Trade and other receivables	40,371	–
Time deposit with original maturity over three months	200,000	–
Bank balances and cash	1,399,530	–
	1,639,901	–
Loans and receivables		
Trade and other receivables	–	27,801
Bank balances and cash	–	1,190,389
	–	1,218,190
	1,639,901	**1,218,190**
Financial liabilities		
Derivative instruments in designated hedge accounting relationships		
Cross currency swaps	17,860	17,674
Financial liabilities at amortised costs		
Trade and other payables	318,668	313,039
Distribution payable	799,023	730,979
Secured bank borrowings	9,467,812	10,172,623
Medium term notes	5,536,292	4,612,054
	16,121,795	**15,828,695**

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31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risks management objectives and policies

The Group's major financial instruments include secured bank borrowings, medium term notes, notes receivables, trade and other receivables, bank balances and cash, trade and other payables, distribution payable and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, 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 its medium term notes. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 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 Group's foreign currency risk is hedged, no sensitivity analysis has been prepared accordingly.

(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 secured bank borrowings and medium term notes (see notes 19 and 20 for details). The Group is also exposed to fair value interest rate risk in relation to its time deposits, notes receivables 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 secured bank borrowings by entering into interest rate swaps to hedge against its exposures to interest rate on certain variable-rate secured 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.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivatives instruments. For variable-rate term loans and medium term notes, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2017: 50) basis point increase or decrease is used which represents management'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 2018 would decrease/increase by HK$34,465,000 (2017: HK$37,090,000). This is mainly attributable to the Group's exposure to interest rates on its secured variable-rate term loans and medium term notes which are not hedged and has an aggregate amount of HK$6,893,000,000 (2017: HK$7,418,000,000).

(iii) Credit risk and impairment assessment

As at 31 December 2018, 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 and notes receivables, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Credit risk and impairment assessment (continued)

The credit risk on derivative financial instrument is limited because the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

Based on the ECL assessment, the credit exposures for all the financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2018, no loss allowance provision for the amounts was recognised.

(iv) Liquidity and capital risk management

The Manager monitors and maintains a level of cash and cash equivalents 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 cash and cash equivalents of HK$1,599,530,000 as at 31 December 2018 (2017: HK$1,190,389,000). In addition to the cash resources, the Group has available borrowing facilities amounting to HK$9,800,000,000 (2017: HK$10,525,000,000), of which HK$9,500,000,000 (2017: HK$10,225,000,000) was drawn as at 31 December 2018. The undrawn committed facility in the form of revolving bank loans amounted to HK$300,000,000 as at 31 December 2018 (2017: HK$300,000,000).

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. The Group issued an aggregate principal amount of approximately HK$2,543,000,000 and US$386,400,000 as at 31 December 2018 (2017: HK$1,618,000,000 and US$386,400,000).

The Group manages liquidity risk by maintaining adequate banking facilities as well as by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a result of the undrawn committed facility of HK$300,000,000 (2017: HK$300,000,000) and a balance of approximately HK$2,262,000,000 (2017: HK$3,176,000,000) under the guaranteed medium term note programme available for issuance, the Manager considered that the liquidity risk of the Group can be reduced.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Liquidity and capital risk management (continued)

As at 31 December 2018, the Group's current liabilities exceeded its current assets by HK$4,727,043,000 (2017: HK$1,268,914,000). Management reviews the Group's financial position and is now negotiating with banks to refinance existing term loans which are due within one year. Management considers that, taking into account of the fair value of investment properties available to pledge for new financing if needed, the Group will be able to obtain sufficient financial resources, including term loans, to satisfy its commitments and working capital for its present requirements 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 45% of the total gross asset value as required by the REIT Code. As at 31 December 2018, the gearing ratio was 17.6% (2017: 18.9%). The ratio is calculated as total borrowings (principal amounts of secured bank borrowings and medium term notes) divided by total assets of the Group.

Liquidity and interest risk tables

The following tables detail the Group's expected maturity for its non-derivative financial assets as well as the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables below have been drawn up for non-derivative financial instruments based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a total financial asset and liability basis. For non-derivative financial liabilities, the tables reflect the undiscounted (outflows) of financial liabilities (except Manager's fee payable to be settled by units of Champion REIT) based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) 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 2018							
Non-interest bearing							
Trade and other receivables	–	40,371	–	–	–	40,371	40,371
Variable interest rate							
Bank balances and cash	2.04	1,599,642	–	–	–	1,599,642	1,599,530
Fixed interest rate							
Notes receivables	4.95	7,987	10,463	173,840	55,034	247,324	218,705
Total		**1,648,000**	**10,463**	**173,840**	**55,034**	**1,887,337**	**1,858,606**
Non-interest bearing							
Trade and other payables	–	(244,954)	–	–	–	(244,954)	(244,954)
Distribution payable	–	(799,023)	–	–	–	(799,023)	(799,023)
		(1,043,977)	–	–	–	(1,043,977)	(1,043,977)
Variable interest rate instruments							
Secured term loans	3.13	(3,940,336)	(185,247)	(5,891,081)	–	(10,016,664)	(9,467,812)
Medium term note	3.66	(23,559)	(23,559)	(672,449)	–	(719,567)	(643,000)
		(3,963,895)	(208,806)	(6,563,530)	–	(10,736,231)	(10,110,812)
Fixed interest rate instruments							
Medium term notes	3.55	(175,024)	(375,024)	(3,477,324)	(1,831,834)	(5,859,206)	(4,893,292)
Total		**(5,182,896)**	**(583,830)**	**(10,040,854)**	**(1,831,834)**	**(17,639,414)**	**(16,048,081)**

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) 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 2017							
Non-interest bearing							
Trade and other receivables	–	27,801	–	–	–	27,801	27,801
Variable interest rate							
Bank balances and cash	0.97	1,190,440	–	–	–	1,190,440	1,190,389
Fixed interest rate							
Notes receivables	4.95	7,968	10,438	131,107	107,659	257,172	220,531
Total		**1,226,209**	**10,438**	**131,107**	**107,659**	**1,475,413**	**1,438,721**
Non-interest bearing							
Trade and other payables	–	(246,921)	–	–	–	(246,921)	(246,921)
Distribution payable	–	(730,979)	–	–	–	(730,979)	(730,979)
		(977,900)	–	–	–	(977,900)	(977,900)
Variable interest rate instruments							
Secured term loans	2.07	(211,208)	(4,592,328)	(5,986,289)	–	(10,789,825)	(10,172,623)
Medium term note	2.60	(16,723)	(16,723)	(680,626)	–	(714,072)	(643,000)
		(227,931)	(4,609,051)	(6,666,915)	–	(11,503,897)	(10,815,623)
Fixed interest rate instruments							
Medium term notes	3.53	(140,795)	(140,795)	(422,385)	(4,127,733)	(4,831,708)	(3,969,054)
Total		**(1,346,626)**	**(4,749,846)**	**(7,089,300)**	**(4,127,733)**	**(17,313,505)**	**(15,762,577)**

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31. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) 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 2018						
Derivatives - net settlement						
Cross currency swaps	785	(495)	(10,339)	–	(10,049)	(17,860)
Interest rate swaps	20,755	25,775	11,626	–	58,156	39,399
As at 31 December 2017						
Derivatives - net settlement						
Cross currency swaps	533	(1,085)	(1,962)	(22,299)	(24,813)	(17,674)
Interest rate swaps	(6,691)	14,169	30,574	–	38,052	36,587

(c) Fair value

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

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

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets (liabilities) are measured at fair value at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2018				
Derivative financial assets				
Interest rate swaps	**–**	**39,399**	**–**	**39,399**
Derivative financial liabilities				
Cross currency swaps	**–**	**(17,860)**	**–**	**(17,860)**
As at 31 December 2017				
Derivative financial assets				
Interest rate swaps	–	36,587	–	36,587
Derivative financial liabilities				
Cross currency swaps	–	(17,674)	–	(17,674)

There were no transfers between Levels 1 and 2 in both current and last years.

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32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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)	Fair value as at 31 December 2018 HK$'000	2017 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position	**(17,860)**	(17,674)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	**39,399**	36,587	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted forward rates (if applicable), discounted at a rate that reflects the credit risk of various counterparties.

33. 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	Secured bank borrowings HK$'000	Medium term notes HK$'000	Distribution payable HK$'000	Total HK$'000
At 1 January 2017	(32,408)	56,495	10,924,600	3,814,384	696,481	15,459,552
Financing cash flows	(26,361)	(285,859)	(775,000)	771,187	(1,378,154)	(1,694,187)
Finance costs (note)	–	295,506	23,023	3,763	–	322,292
Foreign exchange translations	–	301	–	22,720	–	23,021
Other changes						
Fair value adjustments	39,856	–	–	–	–	39,856
Distribution declared	–	–	–	–	1,412,730	1,412,730
Other non-cash changes	–	–	–	–	(78)	(78)
At 31 December 2017	(18,913)	66,443	10,172,623	4,612,054	730,979	15,563,186
Financing cash flows	(11,166)	(381,262)	(725,000)	911,971	(1,461,999)	(1,667,456)
Finance costs (note)	–	396,189	20,189	5,093	–	421,471
Foreign exchange translations	–	143	–	7,174	–	7,317
Other changes						
Fair value adjustments	8,540	–	–	–	–	8,540
Distribution declared	–	–	–	–	1,530,045	1,530,045
Other non-cash changes	–	–	–	–	(2)	(2)
At 31 December 2018	**(21,539)**	**81,513**	**9,467,812**	**5,536,292**	**799,023**	**15,863,101**

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

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CHAMPION REIT

The following principal subsidiaries are wholly-owned by Champion REIT as at 31 December 2018 and 2017.

Name	Issued and fully paid share capital	Principal activity
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:		
Benington Limited	100 shares with no par value	Property investment
CP (A1) Limited	1 share with no par value	Property investment
CP (B1) Limited	1 share with no par value	Property investment
CP (MC) Limited	1 share with no par value	Property investment
CP (PH) Limited	1 share with no par value	Property investment
CP (SH) Limited	1 share with no par value	Property investment
CP (WC) Limited	1 share with no par value	Property investment
CP Finance Limited	1 share with no par value	Financing
CP (Portion A) Limited	2 shares with no par value	Property investment
CP (Portion B) Limited	2 shares with no par value	Property investment
CP Success Limited	1 share with no par value	Financing
CP Wealth Limited	1 share with no par value	Treasury
Elegant Wealth Limited	1 share with no par value	Property investment
Maple Court Limited	2 shares with no par value	Property investment
Panhy Limited	2 shares with no par value	Property investment
Renaissance City Development Company Limited	2 shares with no par value	Property investment
Shine Hill Development Limited	1,000,000 shares with no par value	Property investment
Trump Treasure Limited	1 share with no par value	Treasury
Well Charm Development Limited	2 shares with no par value	Property investment
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT:		
Champion MTN Limited	1 share of US$1	Medium term notes issuer
Ernest Limited	100 shares of US$1 each	Investment holding
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT:		
EAM-Champion REIT Limited	1 share of US$1	Securities investment

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 20, no other subsidiaries had issued any debt securities at 31 December 2018 and 2017 at any time during both years.

REGISTERED OFFICE IN THE CAYMAN ISLANDS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG OF THE ISSUER

Champion MTN Limited
at the offices of Offshore Incorporations
(Cayman) Limited
P.O. Box 31119 Grand Pavilion, Hibiscus Way
802 West Bay Road, Grand Cayman
KY1-1205, Cayman Islands

Champion MTN Limited
Suite 3008, 30th Floor, Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG OF THE REIT MANAGER

Eagle Asset Management (CP) Limited
Suite 3008, 30th Floor, Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

AUDITOR TO THE ISSUER AND CHAMPION REIT

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

REIT TRUSTEE

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road
Central, Hong Kong

TRUSTEE

Citicorp International Limited
20/F Citi Tower
One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

REGISTRAR
(for Notes not cleared through CMU)

Citibank, N.A., London Branch
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
England

ISSUING AND PAYING AGENT AND PAYING AGENT AND TRANSFER AGENT
(for Notes not cleared through CMU)

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

CMU LODGING AND PAYING AGENT, REGISTRAR AND TRANSFER AGENT
(for Notes cleared through CMU)

Citicorp International Limited
9/F Citi Tower
One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS

To the Issuer and Champion REIT as to Hong Kong law

Baker & McKenzie
14th Floor
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

To the Dealers and the Trustee as to English law

Linklaters
11th Floor
Alexandra House
Chater Road
Hong Kong

To the Issuer as to Cayman Islands law

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

To the REIT Trustee as to Hong Kong law

Bryan Cave Leighton Paisner LLP
25th Floor, Dorset House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

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FINANCIAL PRESS LIMITED
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