

For Immediate Release



華人置業集團

CHINESE ESTATES HOLDINGS LIMITED

Annual Results 2006 of Chinese Estates

Profit Attributable to Shareholders Up 21.5% to HK\$7,477 Million

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Significant Expansion into Mainland China

Financial Highlights

	<i>(For the year ended 31 Dec)</i>		
	2006 <i>HK\$m</i>	2005 <i>HK\$m</i>	Change
Turnover	4,764	2,275	+109.4%
Profit attributable to shareholders	7,477	6,155	+21.5%
Basic Earnings per share	HK 339.2 cents	HK 300.0 cents	+13.1%
Total dividend per share	HK 30.0 cents	HK 21.0 cents	+42.9%
- Interim	HK 12.0 cents	HK 9.0 cents	+33.3%
- Final	HK 18.0 cents	HK 12.0 cents	+50.0%

(14 March, 2007 – Hong Kong) **Chinese Estates Holdings Limited** (“Chinese Estates” ; stock code: 0127) together with its subsidiaries (the “Group”) is pleased to announce today its annual results for the year ended 31 December 2006 (the “Year”). During the Year, profit attributable to shareholders of the parent for the Year was HK\$7,477.3 million as compared with HK\$6,154.6 million for the same period last year. Earnings per share was HK339.2 cents (year ended 31 December 2005 : HK300.0 cents).

Gross profit for the Year amounted to HK\$923.7 million, a 17.7% increase as compared with the same period last year. Turnover for the Year amounted to HK\$4,763.8 million (year ended 31 December 2005: 2,275.0 million), a 1.1 times increase over the same period last year.

The Board of Directors recommended a final dividend of HK18.0 cents per share for the year ended 31 December 2006 (2005: HK12.0 cents), together with the interim dividend of HK12.0 cents (2005: HK9.0 cents), the total dividend per shares is HK30.0 cents(2005: HK21.0 cents). If the net income on the two major non-cash items (fair value gains on investment properties together with their respective deferred tax expenses and impairment loss in respect of stock of properties) for the Year is excluded, the dividend payout ratio for the Year will become 30.9% (2005: 38.7%).

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Mr. Joseph Lau, Chairman, CEO and Executive Director of the Group, commented on the encouraging performance of 2006 annual results, " The Group's profit attributable to shareholders was supported by a number of positive factors. The Group has been able to introduce favourable rental increments by taking advantages of its tenants' improved return due to continuing economic growth. In addition, rental improvements from repackaging of shopping arcades are being realized. Moreover, the Group achieved satisfactory sales income, including the sale of various development properties which were recognized in the Year."

Property Investment in Hong Kong

Rentals from investment properties continued to be one of the main sources of the Group's income.

During the Year, the gross rental income was slightly reduced by 6.7% to HK\$667.9 million, as compared with the corresponding period last year. The decrease in gross rental income is mainly attributable to the redevelopment of Tung Ying Building and Tung Sang Building; the renovation works of Laforet (formerly Nu Front), Windsor House and Silvercord; and the sale of substantial part of Chic Castle. Such a temporary reduction is believed to be worthwhile as the redevelopment and renovation will maximize the value of the Group's retail properties. If the redeveloped and renovated properties are excluded, gross rental income increased by approximately 12.8% over the last year, and the respective increases in retail and non-retail portions were 16.0% and 7.0%.

Retail Properties

The overall occupancy rate of the Group's retail portfolio remained at a high level of 92.4% (excluding portions of Windsor House and Silvercord as renovations were taking place) as at 31 December 2006. Such a sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties. Overall retail rents were raised as a result of the increase in tenants' business turnover, which benefited from the growth of both tourists' and local consumption.

The renovation works of Laforet was completed in July 2006 and grand opening took place in August 2006. The enhancements achieved include relocation of escalator and changes in the internal layout to improve pedestrian flow, the installation of two LED electronic display screens and the refurbishment of the covered walkway. The revamped Laforet, consisting of over 150 small shops and a restaurant with area ranging from 150 to 5,100 square feet, targets young and trendy customers. As at 31 December 2006, its occupancy rate was 93.29% and if fully leased out, the rental is expected to increase by 81.8% as compared with the previous single-tenant lease.

Vim, part of the basement of Silvercord in Tsim Sha Tsui, has been opened since December 2005. As at 31 December 2006, its occupancy rate reached 83.13% and there was a 4.3 times increase in rental as compared with the previous lease. Moreover, the first phase of converting the existing bubble lifts to shops was completed in December 2006.

Office Properties

The occupancy rates for the Group's office properties were maintained at a high level throughout the year. During the year, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 89.3%, 96.1% and 95.5% respectively, bringing the approximate occupancy rate of the overall office portfolio to 93.4%.

Future Plans for Property Investment

The Group will continue to upgrade the quality of its existing properties through renovation and repackaging of its landmark properties, including Silvercord Shopping Arcade and Windsor House (retail portion). For Silvercord Shopping Arcade, the second phase of converting the existing bubble lifts to shops is to be completed in the third quarter of 2007, the works of which commenced in late 2006. The conversion of the cinema to shops commenced in the fourth quarter of 2006 with the scheduled completion date in the third quarter of 2007.

Renovation works of Windsor House commenced in 2006. The scope of work includes re-layout of basement, ground and first floor, sub-dividing the retail space previously occupied by a supermarket, a department store and an anchor tenant to provide a greater variety of prime retail shops and specialty restaurants. The renovation will be completed by the fourth quarter of 2007. The revamped Windsor House will have a improved and diversified trade mix whilst the rental income will be raised substantially.

The demolition work of Tung Ying Building in Tsim Sha Tsui started in early 2006. Completion of the redevelopment is expected in early 2010. Tung Ying Building is to be redeveloped into an integrated shopping and entertainment complex and is expected to be a landmark shopping arcade in Tsim Sha Tsui after completion.

Property Development in Hong Kong

In general, the Group's development projects have been progressing satisfactorily and sales have been achieving pleasing results.

During the Year, the sale of Miami Crescent in Sheung Shui (50% interest), Indihome in Tsuen Wan (50% interest) and Mount Beacon in Kowloon Tong (33.33% interest) have been successful and generated a profit of HK\$107.8 million, HK\$239.6 million and HK\$690.0 million respectively, all of which were included in share of results of associates. Furthermore, the sale of Parc Palais in King's Park (10% interest) had generated a contribution of HK\$51.5 million which was included in investment income.

The residential development of Indihome (50% interest) was completed in January 2006, 583 presold units had been handed over to purchasers. A further 289 units were sold during the year. As at 31 December 2006, 91% of the total units were sold.

As at 31 December 2006, 96% of the total units of Parc Palais (10% interest) were substantially sold; 72% of houses of Miami Crescent, Sheung Shui (50% interest) were sold.

The certificate of compliance of Mount Beacon, Kowloon Tong (33.3% interest) was issued in July 2006. As at 31 December 2006, 79% of apartments and almost 50% of houses were sold.

The construction work of Phase I of The Zenith (87.5% interest) was completed, this is a redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. It comprises of 3 residential tower blocks having 652 units with flat size ranging from gross floor area of approximately 605 square feet to 879 square feet. The pre-sale consent was received in September 2006 and 195 units were presold during the year. Sales proceed and profit will be booked in 2007.

Future Plans for Property Development

Tung Sang Building in Wanchai has commenced its demolition work and will be redeveloped as a brand new residential / commercial composite building with completion scheduled for the end of 2008.

The Group has also formed two other joint venture projects with Urban Renewal Authority, one is located at the junction of Reclamation Street and Arran Street in Mongkok, foundation work of which was completed in the first quarter of 2006 and the whole project is expected to be completed in mid-2007; the other one is located at Larch Street/Bedford Road, foundation work of which has been commenced and the project is expected to be completed in the end of 2008.

Foundation work of the development project located at Hoi Ting Road and junction of Hoi Wang Road and Hoi Ting Road, West Kowloon Reclamation Area (25% interest) has been commenced. The project will be developed into residential and retail properties with a total gross floor area of 1,095,980 square feet.

During the year, the Group won a tender of approximately HK\$234 million for Sun Fair Mansions at 12 Shiu Fai Terrace, a residential site in mid-level East, which is a traditional prestigious location for luxury residential project in Hong Kong. The site area is about 12,000 square feet and can provide a total residential gross floor area of around 39,700 square feet. The site will be redeveloped into a luxury residential project.

Macau Property Development

In December, 2005, the Group acquired 5 parcels of adjoining land in Taipa, Macau (70.01% interest). The acquisition was completed in early 2006. The total site area is approximately 848,000 square feet and will be developed by four phases. Building plan has been submitted for approval and foundation work of phase I is expected to commence in the second quarter of 2007. The launching of phase I of this project is scheduled in 2007.

Property Investment and Development in the PRC

Evergo Tower (100% interest), located at Central Huaihai Road in Shanghai, is a 23-storey office/shopping complex with a 2-storey basement and has a total gross floor area of 263,708 square feet. The average occupancy rates of the office and retail spaces of the tower were about 87% and 100% respectively in 2006.

Hilton Beijing (50% interest) maintained an average occupancy rate of 82% and achieved a gross operating profit of HK\$73.66 million in 2006. Hilton Beijing is expanding by converting the adjacent auditorium into an executive tower. Having demolished the auditorium in November 2006, construction work of the executive tower commenced and is expected to be completed in early 2008.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was 84% let out as at 31 December 2006.

The occupancy rate of the 79 retail outlets in Lowu Commercial Plaza, Shenzhen (100% interest) was 89% in December 2006 with a total area of approximately 29,000 square feet.

The Group acquired two pieces of residential land, one is next to Dongda Street of Jinjiang District and another one is at Yingbin Road of Jinniu District in Chengdu in October 2006, having site area of 194,410 square feet and 795,625 square feet with respective gross floor area of 1.47 million square feet to be completed in 2009 and 3.76 million square feet to be completed in 2010.

In January, 2007, the Group further obtained a commercial and residential land at South Taisheng Road of Qingyang District in Chengdu, having site area of 404,264 square feet with a development scale of 3.2 million square feet to be completed in 2011. These acquisitions reflect the Group's confidence in Chengdu's economy and its property market.

Securities Investments

In respect of the performance of listed securities investments and treasury products, the Group has recorded profit before and after finance costs of HK\$868.2 million (year ended 31 December 2005: HK\$279.9 million) and HK\$689.2 million (year ended 31 December 2005: HK\$243.3 million) respectively.

As at 31 December 2005, the listed securities investments and treasury products was HK\$7,602.8 million. During the Year, the portfolio was reduced by a net disposal of HK\$3,428.9 million, a decrease of 45.1% over 2005. After adding the fair value gains of HK\$4,202.5 million (2005: HK\$192.4 million) for the Year, the listed securities investments portfolios of the Group reached HK\$8,376.4 million at 31 December 2006, representing 14.5% (31 December, 2005: 18.8%) of the total assets, which formed part of the Group's cash management activities.

Prospects

Looking ahead, Mr. Joseph Lau, said, "The Group sees promising future in its core businesses. Chinese Estates will continue to enhance the value of its existing investment properties through continuous redevelopment, renovation works and repackaging programs in order to strengthen our recurrent income stream. In addition to expanding our investment property portfolio in Hong Kong, we will also increase our exposure in property development in Macau and Mainland China so as to benefit from the positive economic prospects in these areas."

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About Chinese Estates Holdings Limited

Chinese Estates Holdings Limited (SEHK Stock Code: 0127) principally engages in property investment, development and management in Hong Kong, Macau and the Mainland. The Group has always been identified with high quality investment portfolio and mid-end to high-end commercial and residential properties in prime locations.

**The Group's annual results announcement webcast can be viewed at www.chineseestates.com from 15 March, 2007 onwards.*

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