

For Immediate Release



**華人置業集團**

CHINESE ESTATES HOLDINGS LIMITED

## Interim Results 2007 of Chinese Estates

**Gross Profit Up 108% to HK\$888 Million**

\* \* \* \* \*

**Continuing Expansion into Mainland China**

### Financial Highlights

	<i>(For the six months ended 30 June)</i>		
	<b>2007</b> <i>HK\$m</i>	2006 <i>HK\$m</i>	Change
Turnover	<b>2,535</b>	2,226	+13.9%
Gross Profit	<b>888</b>	427	+108.0%
Profit attributable to equity holders	<b>2,052</b>	4,998	-58.9%
Basic Earnings per share	<b>HK90.7 cents</b>	HK231.6 cents	-60.8%
Interim dividend per share	<b>HK13.5 cents</b>	HK12.0 cents	+12.5%

(3 August, 2007 – Hong Kong) **Chinese Estates Holdings Limited** (“Chinese Estates” or the “Group”; stock code: 0127) is pleased to announce today its interim results for the six months ended 30 June 2007 (the “Period”). Turnover for the Period amounted to HK\$2,534.9 million (six months ended 30 June 2006: HK\$2,226.2 million), a 13.9% increase over the same period last year. Gross profit for the Year amounted to HK\$888 million, a 108.0% increase as compared with the same period last year (six months ended 30 June 2006: HK\$427 million).

Profit attributable to equity holders of the parent for the Period was HK\$2,052.4 million as compared to HK\$4,997.6 million for the same period last year. The profit for the Period was mainly attributable from the fair value gains on investment properties, profit on sales of development properties and the share of results of associates generated from the sales of development properties. Earnings per share was HK90.7 cents (six months ended 30 June 2006: HK231.6 cents).

The Board has declared an interim dividend of HK13.5 cents per share for the six months ended 30 June 2007 (2006: HK12 cents).

- Cont'd -

Mr. Joseph Lau, Chairman, CEO and Executive Director of the Group, commented on the encouraging performance of 2007 interim results, "The increase of the Group's gross profit 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 for various development properties in the Period."

### **Property Investment in Hong Kong**

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

### ***Retail Properties***

The overall occupancy rate of the Group's retail portfolio was 80.3% during the first half of 2007 due to the renovation of Windsor House and Silvercord. The occupancy rate jumped to 95.0% if Windsor House and Silvercord are excluded. Such sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties. Retail rents were generally raised due to the increase in tenants' business turnover benefited from the growth of both tourists' and local consumption.

Although the Group recorded a rental loss of HK\$41.5 million in the first half of 2007 due to the renovation works of Windsor House and Silvercord, the Group was able to sustain a gross rental growth by 9.3%, rental income to HK\$361 million for the six months ended 30 June 2007, as compared with the corresponding period of last year. The increase in gross rental income is mainly attributable to the high reversionary rental rate of the office properties and re-opening of Excelsior Plaza – Laforet in August 2006. If the renovated properties are excluded, gross rental income would be increased by approximately 27.2% over the last period, and the respective increases in retail and non-retail portion have been 29.9% and 22.6%.

The renovation works of Laforet was completed in July 2006. The enhancement includes relocation of escalators and change in 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 small shops and a restaurant with area ranging from 150 to 5,100 square feet, specially targets at the young and trendy customers. As at 30 June 2007, its occupancy rate was 98.3% and if fully leased out, the rental is expected to increase by 74.8% as compared with the previous lease.

- Cont'd -

## **Office Properties**

The occupancy rate for the Group's office properties maintained at a high level throughout the first half of 2007. As at 30 June 2007, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 92.8%, 94.0% and 84.2% respectively, bringing the approximate occupancy rate of the overall office portfolio to 91.1%.

In general, it is expected that both the occupancy rate in retail and office properties will remain at high level while their rental rates will have room for increment this year.

## **Future Plans for Property Investment**

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 supermarket, department store and an anchor tenant to provide greater varieties of prime retail shops and specialty restaurants. The renovation will be completed by the fourth quarter of 2007. The revamped Windsor House will have improved and diversified trade mix while the rental income is expected to rise substantially.

As for Silvercord, the first phase of converting the existing bubble lifts to shops was completed in December 2006 with the second phase to be completed in the third quarter of 2007, the works of which has been 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. The renovated Silvercord will have more quality brands while the rental income is expected to rise significantly.

The foundation and basement excavation works of the redevelopment of Tung Ying Building in Tsim Sha Tsui started in December 2006. Completion of the redevelopment is expected to be in early 2010.

## **Property Development in Hong Kong**

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

The residential development of Indihome, Tsuen Wan (50% interest) was completed in January 2006, 583 presold units had been handed over to the purchasers. A further 318 units were sold up to 30 June 2007 and 93.9% of the total units were already sold.

As at 30 June 2007, the units of Parc Palais, Homantin (10% interest) were substantially sold, representing 99.0% of total units; 79.5% of houses of Miami Crescent, Sheung Shui (50% interest) were already sold.

The certificate of compliance of Mount Beacon, Kowloon Tong (33.33% interest) was issued in July 2006. As at 30 June 2007, 86.3% of apartments and 86.4% of houses were sold.

The pre-sale consent of The Zenith (87.5% interest) was received in September 2006 and 308 units were presold up to 30 June 2007. The commencement of construction work of Phase II is scheduled in early 2008 and is expected to be completed in mid 2011.

### **Future Plans for Property Development**

The Group has formed two other joint venture projects with the 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 end of 2007; the other one is located at Larch Street / Bedford Road in Tai Kok Tsui, the superstructure work of which started in March 2007 and the whole project is expected to be completed in end of 2008.

Tung Sang Building in Wanchai has commenced its foundation work and will be redeveloped as a brand new residential/retail composite building with completion date scheduled at 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. Residential and retail properties with a total gross floor area of 1,095,980 square feet will be developed and the whole project is expected to be completed in 2010.

In May 2007, the Group acquired a site at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road, West Kowloon Reclamation Area (15% interest). The acquisition was completed in June 2007. The total site area is approximately 86,758 square feet. Residential and retail properties with a total gross floor area of 650,684 square feet will be developed.

The Group has won a tender last year at 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 projects in Hong Kong. The site area is about 12,000 square feet that can provide a total residential gross floor area of around 39,700 square feet. The site is planned to be redeveloped into a luxury residential project by the end 2008.

- Cont'd -

## **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. Master Layout Plan has been submitted for approval. Foundation work of phase I is expected to commence in late 2007. The launching of phase I of this project is currently expected in late 2007

## **Property Investment and Development in the PRC**

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 23-storey office/shopping complex. The average occupancy rates of the office and retail spaces of the tower were about 88% and 99% respectively for the six months ended 30 June 2007.

Hilton Beijing (50% interest) maintained an average occupancy rate of 86.16% and achieved a gross operating profit of HK\$50.88 million for the six months ended 30 June 2007. Hilton Beijing is expanding by converting to adjacent auditorium into an executive tower. The construction work of the executive tower commenced in November 2006 and is expected to be completed in early 2008.

Oriental Place (50% interest), an office building next to Hilton Beijing, was 89.56% let out as of June 2007.

The occupancy rate of the 79 retail outlets in Lowu Commercial Plaza, Shenzhen in June 2007 was 97.25%.

The Group acquired two pieces of residential land at Dongda Street of Jinjiang District as well as 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 1.55 million square feet completed in 2009 and 3.76 million square feet completed in 2010. The land use rights were granted in May 2007 upon full settlement of land cost.

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. The land use right was granted in May 2007 upon full settlement of land cost.

The Group, through its proposal of joint venture with Sino Group and CC Land Holdings Limited, has acquired one piece of land for residential and school purposes at Huaxin Street of Jiangbei District in Chongqing in July 2007 for a consideration of RMB4.18 billion. The land, at the north bank of the Jialing River, has a site area of 2,207,587 square feet and a gross floor area of 11 million square feet. A formal joint venture agreement for the development project will be executed among the parties in due course.

The acquisitions reflect the Group's confidence in Chengdu's and Chongqing's economy and its property market.

## **Securities Investments**

As at 31 December, 2006, the listed securities investments and treasury products was HK\$8,376.4 million. During the Period, the portfolio was increased by a net purchase of HK\$2,105.6 million, (an increase of 25.1% over 2006) and the release of the fair value loss on the knocked out derivative financial instruments of HK\$56.4 million. After adding the fair value gains of HK\$818.6 million for the Period, the listed securities investments portfolios of the Group reached HK\$11,357.0 million at 30 June 2007, representing 18.4% (31 December, 2006: 14.5%) of the total assets, which formed part of the Group's cash management activities.

## **Prospects**

Looking ahead, Mr. Joseph Lau, said, "The global economy is generally positive and is projected for the year 2007. The stabilisation of interest rate and improving employment conditions could provide a favourable environment for our commercial and residential property investment businesses in Hong Kong. In general, the property markets of Macau and Mainland China should continue to be satisfactory in the near future."

The Group will continue to strengthen the value of its investment properties and enhance returns through redevelopment and renovation works such as Tung Ying Building, Tung Sang Building, Silvercord, Windsor House etc. It is expected that the Group will enjoy substantial rental growth from the future new leases.

In addition, the Group will continue to capture opportunities for replenishing its land bank for quality development projects.

- End -

## **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](http://www.chineseestates.com) from 3 August, 2007 onwards.*

### **For further information, please contact:**

Tammy Tam / Alison Yeung

Corporate Communications Department

Chinese Estates Holdings Limited

Tel: (852) 2864 4221 / 2864 4480

Fax: (852) 2863 7011 / 2863 7083

E-mail: [tammyly.tam@chineseestates.com](mailto:tammyly.tam@chineseestates.com) / [alisonm.yeung@chineseestates.com](mailto:alisonm.yeung@chineseestates.com)