

For Immediate Release



華人置業集團

CHINESE ESTATES HOLDINGS LIMITED

## Annual Results 2007 of Chinese Estates

**Gross Profit Increases 1.1 times to HK\$1,937 Million**

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**Continuing Expansion into Mainland China**

### **Financial Highlights**

	<i>(For the year ended 31 December)</i>		
	<b>2007</b> <i>HK\$m</i>	2006 <i>HK\$m</i>	Change
Turnover	<b>8,446.9</b>	4,763.8	+77.3%
Core profit (excluding non-cash items)	<b>2,732.1</b>	2,137.7	+27.8%
Profit attributable to shareholders	<b>8,195.8</b>	7,477.3	+9.6%
Basic earnings per share	<b>HK\$3.599</b>	HK\$3.392	+6.1%
Total dividend per share	<b>HK36.0 cents</b>	HK30.0 cents	+20.0%
- Interim	<b>HK13.5 cents</b>	HK12.0 cents	+12.5%
- Final	<b>HK22.5 cents</b>	HK18.0 cents	+25.0%

(7 March, 2008 – 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 2007 (the “Year”). During the Year, profit attributable to shareholders of the parent was HK\$8,195.8 million as compared with HK\$7,477.3 million for the same period last year. Earnings per share was HK\$3.599 (year ended 31 December 2006: HK\$3.392). Core profit (excluding non-cash items on net fair value gain on property revaluation) amounted to HK\$2,732.1 million, an increase of 27.8% over 2006.

Gross profit for the Year amounted to HK\$1,936.5 million, a 1.1 times increase as compared with the same period last year. Turnover for the Year amounted to HK\$8,446.9 million (year ended 31 December 2006: HK\$4,763.8 million), a 77.3% increase over the same period last year. It was mainly due to the sales proceeds recognized from the Phase I of The Zenith in Wanchai.

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The Board of Directors recommended a final dividend of HK22.5 cents for the year ended 31 December 2007 (2006: HK18.0 cents) per share, together with the interim dividend of HK13.5 cents (2006: HK12.0 cents) per share, the total dividend for the Year is HK36.0 cents (2006: HK30.0 cents) per share. If the net income on the major non-cash item (fair value gains on investment properties together with their respective deferred tax expenses) for the Year is excluded, the dividend payout ratio on the core profit for the Year will become 30.0% (2006: 30.9%).

Mr. Joseph Lau, Chairman, CEO and Executive Director of the Group, commented on the encouraging performance of 2007 annual results, "The increase of 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 were being realized. Moreover, the Group achieved satisfactory sales income, including the sale of The Zenith and various development projects which were recognized in the Year."

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

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

The rental income recorded for the Year amounted HK\$773.33 million, representing a rental growth of 15.78% as compared with 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 renovated Excelsior Plaza - Laforet in 2006. If the renovated properties are excluded, gross rental income would be increased by approximately 24.09% over the last year.

### ***Retail Properties***

The overall occupancy rate of the Group's retail portfolio was 88.96% as at 31st December, 2007 due to the renovation of Windsor House and Silvercord. The occupancy rate jumped to 94.51% 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.

The renovation works of Windsor House was commenced in 2006. The scope of work includes re-layout of basement, ground and first floor, sub-dividing the retail space to provide greater varieties of prime retail shops and specialty restaurants. The first phase renovation was completed in the third quarter of 2007.

As for Silvercord, the conversions of bubble lifts and cinema to shops were completed in the second quarter and in the third quarter of 2007 respectively. Rental income was raised significantly over seven folds as compared with the previous lease due to the increase in more quality brands.

### **Office Properties**

The occupancy rate for the Group's office properties 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 88.82%, 96.24% and 89.21% respectively, bringing the approximate occupancy rate of the overall office portfolio to 91.44%.

In general, both the occupancy rate in retail and office properties remained at high level during the Year. It is expected that rental rates will have room for increment.

### **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. The second phase renovation of Windsor House is scheduled to be completed by the end of 2009. The revamped Windsor House will have improved and diversified trade mix while the rental income is expected to rise substantially.

The basement construction works of the redevelopment of Tung Ying Building in Tsim Sha Tsui are in progress. It is scheduled that the superstructure works will commence in the fourth quarter of 2008. MTR Corporation Limited commissioned to construct a pedestrian subway linking the existing Tsim Sha Tsui MTR Station to, amongst other exits, the future Tung Ying Building under redevelopment. Completion of the redevelopment is expected to be 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 upon completion.

### **Property Development in Hong Kong**

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

All of the apartments and houses of Mount Beacon, Kowloon Tong (33.33% interest) were sold up to 31st December, 2007. As at 31st December, 2007, the units of Parc Palais, Homantin (10% interest) and Indihome, Tsuen Wan (50% interest) were substantially sold, representing 98.71% and 98.85% of total units respectively; and 88.46% of houses of Miami Crescent, Sheung Shui (50% interest) were already sold.

The Zenith (87.5% interest) is a two-phase redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. 649 units of phase I were sold up to 31st December, 2007, representing 99.54% of total units. The commencement of construction work of phase II is currently scheduled in mid-2009 and the construction work is expected to be completed in mid-2012.

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

The Group has also 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, construction work of which was completed in February 2008. It will provide a single residential tower block comprises 85 units. The launching of this project is currently expected in March 2008.

Another project, located on Larch Street / Bedford Road in Tai Kok Tsui, will provide a single residential tower comprises 182 units. The superstructure work is in progress. The project is expected to be completed in the second half of 2008 and launched in the second quarter of 2008.

Tung Sang Building in Wanchai has commenced its foundation work and its superstructure work is in progress. It will be redeveloped as a brand new residential/retail composite building with completion date scheduled to early 2009.

The two West Kowloon development projects located on Hoi Ting Road and at the junction of Hoi Wang Road and Hoi Ting Road, West Kowloon Reclamation Area (25% interest) and at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road (15% interest). Foundation works of these projects have commenced. The two projects are expected to be completed in 2010.

Sun Fair Mansions at 12 Shiu Fai Terrace, a residential site in mid-level East is a traditional prestigious location for luxury residential project in Hong Kong. The site is planned to be redeveloped into a luxury residential project in end 2008.

### **Macau Property Development**

In December 2007, conditional approval has been granted from relevant authority of Macau for the master layout plan and the increase of the upper limit of the gross floor area up to approximately 5,786,242 square feet (excluding gross floor area of basement car park) and increase of the upper limit of the gross floor area of car park up to approximately 2,088,197 square feet subject to the terms and conditions stipulated in the relevant approval document. It comprises 26 residential tower blocks and will be developed by four to five phases and the site formation and basement excavation work contract of phase I has been awarded. The launching of phase I of this project is scheduled in mid-2008.

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

Evergo Tower is an office/shopping complex in Shanghai for leasing purpose. The average occupancy rates of the office and retail spaces were 91.13% and 94.88% respectively for the Year.

Hilton Beijing (50% interest) maintained an average occupancy rate of 86.01% and achieved a gross operating profit of HK\$94.63 million for the Year. Hilton Beijing is expanding by converting the adjacent auditorium into an executive tower, under the construction work to be completed in March 2008.

The occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was 94.36% in December 2007.

The residential project located on Dongda Street of Jinjiang District, where is in the prime retail district of Chengdu, has a gross floor area of 1,650,000 square feet. The project is at design stage and the whole project will be completed in mid-2011.

Another residential project located on Yingbin Road of Jinniu District in Chengdu, where is a site with tranquility and direct access to city centre, has a gross floor area of 3,740,000 square feet. Yingbin Road project, currently in site formation processes, is expected to be completed in mid-2010.

The commercial and residential project on South Taisheng Road of Qingyang District, where is the city centre of Chengdu city, has a development scale of 3,200,000 square feet. The project is at design stage and is expected to be completed in early 2012.

A residential land at Huaxin Street of Jiangbei District in Chongqing (25% interest), jointly invested with Sino Land Company Limited and CC Land Holdings Limited, was acquired in July 2007 at a consideration of RMB4.18 billion. The land is located at the north bank of Jialing River, with a gross floor area of 11,000,000 square feet. The project is at design stage and will obtain the land use rights upon full settlement of land cost.

## **Prospects**

Looking ahead, Mr. Joseph Lau, said, "Despite the uncertain global economic condition, Hong Kong's economic prospects are expected to be optimistic in 2008 under the sustained rapid economic growth in Mainland China. The cut in interest rate and improving employment conditions could provide a favourable environment for our both property development and investment businesses in Hong Kong. Though the central government's regulatory policies have recently cooled down the overheated property market in China, we believe that the market with moderate adjustments will benefit most in long run."

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, Silvercord, and 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 focus on property development in Macau and Mainland China so as to benefit from the positive economic prospects in these areas, particularly replenishing its land bank for development projects in the Mainland China.

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### **About Chinese Estates Holdings Limited**

Chinese Estates Holdings Limited (SEHK Stock Code: 0127) and its subsidiaries principally engages in property investment, development and management in Hong Kong, Macau and the Mainland China. 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 8 March, 2008 onwards.*

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