



華人置業集團

CHINESE ESTATES HOLDINGS LIMITED

2006 Interim Results of Chinese Estates

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Profit Attributable to Shareholders up 155% to HK\$4,998 million

**Positive Outlook in Property Investment Market
Repackaging Programmes to Maximize Retail Property Value**

Financial Highlights

	<i>(For the six months ended 30 June)</i>		
	2006	2005	Change
	HK\$m	HK\$m	
Turnover	2,226	430	+417.7%
Profit attributable to shareholders	4,998	1,962	+154.7%
Basic earnings per share	HK231.6 cents	HK96.7 cents	+139.5%
Interim dividend per share	HK12.0 cents	HK9.0 cents	+33.3%

(9 August, 2006 – 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 30th June, 2006 (the “Period”). During the Period, profit attributable to shareholders increased by 154.7% to reach HK\$4,998 million as compared to HK\$1,962 million for the same period of last year. Turnover substantially increased by 417.7% to reach HK\$2,226 million, as compared to HK\$430 million for the same period in 2005. Basic earnings per share increased by 139.5% to reach HK231.6 cents as compared to HK96.7 cents for the same period of last year.

The Board of Directors recommended an interim dividend of HK12.0 cents per share for the six months ended 30th June, 2006 (interim dividend for 2005: HK9.0 cents).

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Mr. Thomas Lau, Chairman of the Group, commented on the encouraging performance of 2006 interim 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 the continuing economic growth. In addition, rental improvement from repackaging of shopping arcades start to be realized. Moreover, the Group achieved satisfactory sales income, including the sale of Parc Palais which was recognized in the Period and the profit contribution from associates by the sale of Miami Crescent and Indihome."

Property Investment in Hong Kong

Rental income continued to be the main source of the Group's income. The overall occupancy rate of the Group's retail portfolio remained at a high level of 92% (excluding Excelsior Plaza) during the first half of 2006. Such sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties. Mr Thomas Lau said, "The Group will continue to upgrade the tenant mix and renovate its shopping arcades in order to achieve higher rental yield."

Owing to the redevelopment of Tung Ying Building and Tung Sang Building, the renovation of Excelsior Plaza, and the sale of a substantial part of Chic Castle, the gross rental income of the Group was gently reduced by 5.1% to HK\$330.4 million for the six months ended 30th June, 2006, as compared with the corresponding period last year. Such a temporary reduction is believed to be worthwhile as the redevelopment and renovation will maximize the future rental value of the Group's retail properties. Excluding the rental loss from the redevelopment, renovation and sale of some units, the total rental income recorded a 13.8% growth; the retail portion and the non-retail portion both recorded double-digit growth, of 14.1% and 12.9% respectively.

Besides the rental reversion from growing economy by increased tourist spending and improved local consumption, the retail rental was also enhanced by repackaging programmes of the Group's shopping arcades. The arcade, vim@silvercord at the basement of Silvercord in Tsim Sha Tsui, was opened in December 2005 after repackaging. As at 30th June, 2006, there is a six-fold increase in rental as compared with the previous period. The renovation of Excelsior Plaza, renamed as Laforet, commenced in November 2005 and was completed in July 2006. Laforet was reopened on 5th August, 2006. The image of the shopping arcade is sharpened and the layout on each floor is improved. We expect the pedestrian flow and tenants' turnover will be increased significantly and therefore we have made upward adjustment on the rental rates. The rental yield is expected to increase by 140% as compared with the previous leases.

The occupancy rate for the Group's office properties maintained at a high level throughout the period under review. As at 30th June, the occupancy rates for Windsor House, MassMutual Tower and Harcourt House were 96%, 98% and 97% respectively, bringing the occupancy rate of the overall office portfolio to 97%.

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 conversion of the existing bubble lifts to shops is expected to be completed in the fourth quarter of 2006 and the conversion of the cinema to shops will commence in the fourth quarter of 2006. Renovation works on basement, ground floor and 1st floor of Windsor House have been commenced and are expected to be completed in early 2007. We expect the rental income will be doubled after completion of the renovation and repackaging programmes.

In June 2005, the Group announced the redevelopment of Tung Ying Building in Tsim Sha Tsui and the demolition work has started early this year. The redevelopment is planned to be completed in early 2010.

Property Development in Hong Kong

In general, the Group's development projects have been making good progress and sales have been achieving pleasing results.

The residential development Indihome in Tsuen Wan (50% interest) was completed in January 2006. 583 presold units have been handed over to the purchasers, and a further 259 units were sold up to 30th June, 2006.

During the period under review, a number of houses and units of Miami Crescent in Sheung Shui (50% interest), Mount Beacon in Kowloon Tong (33.33% interest), and Parc Palais in King's Park (10% interest) were sold.

For the Tai Yuen Street, Wanchai redevelopment project (87.5% interest) undertaken with the Urban Renewal Authority, the construction of Phase I of the project, comprising 3 residential tower blocks with 652 units, was completed. The pre-sale consent application was being processed and we expect that the pre-sale will be launched in the second half of this year.

Following the issuance of the certificate of compliance of Mount Beacon in Kowloon Tong in July 2006, the sale and purchase of the presold units, approximately two-third of the development, is expected to be completed in the forthcoming weeks.

Future Plans for Property Development

Demolition work of Tung Sang Building has been commenced and the site will be developed as a brand new residential/commercial composite, to be completed around mid 2008.

Foundation work of 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 site, with a total gross floor area of 1,095,980 square feet, will be developed into residential and retail properties.

The Group has formed two other joint venture projects with the Urban Renewal Authority, one located at the junction of Reclamation Street and Arran Street in Mongkok, and the other located at Larch Street/Bedford Road. Foundation work of the first site is in progress and the whole project is expected to be completed in mid 2007 whilst foundation work of the other has been started and the project is expected to be completed in mid 2009.

Property Investment in the PRC

Evergo Tower (100% interest), located at Central Huaihai Road, one of the most prestigious commercial districts in Shanghai, is a 23-storey office/shopping complex including a 2-storey basement and has a total gross floor area of 267,077 square feet for leasing purpose. The average occupancy rates of the office and retail spaces of the tower are 87% and 100% respectively for the period under review.

Hilton Beijing (50% interest) maintained an average occupancy rate of 78% and a gross operating profit of HK\$30.9 million was reported for the period under review. Demolition of the Auditorium and its conversion into an Executive Tower has commenced in April 2006 and will be completed in September 2006. Construction work will follow immediately and is expected to be completed in early 2008.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was 89% let out as of June 2006. The average occupancy rate of the 79 retail outlets in Lowu Commercial Plaza, Shenzhen (100% interest) in June 2006 was 90%.

Property Development in Macau

In December 2005, the Group acquired 5 parcels of adjoining land in Taipa, Macau (70.01% interest). The acquisition was completed earlier this year. The total site area is approximately 848,000 square feet. Building plans have been submitted for approval and foundation work of phase I will be commenced soon.

Other Business

As at 30th June, 2006, the Group's listed securities, investments and treasury products recorded a profit of HK\$249 million, increased by 203.7% as compared to HK\$82 million in the corresponding period of last year. Gain on fair value changes on investments properties of HK\$5,080 million was recognized during the Period of 2006, increased by 215.1% as compared to HK\$1,612 million in the first half of last year.

Looking ahead, Mr. Joseph Lau, CEO & Executive Director of the Group, said, "The Group is optimistic about the property market of Hong Kong and the Greater China Regions. By leveraging on our competitive edges, Chinese Estates will further enhance the value of its existing investment properties through continuous redevelopment, renovation works and repackaging programmes, capture opportunities to acquire premier investment properties, as well as identify lucrative business opportunities in the mainland China and Macau, so as to maximize the shareholders' value."

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 interim results announcement webcast can be viewed at www.chineseestates.com from 10 August, 2006 onwards.*

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