[For Immediate Release]

# Chinese Estates Announced Its Interim Results 2004

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## Net Profit Increased by 232% to HK$588.5 Million

**Financial Highlights:**

| | (For the six months ended 30 June) | | |
|---|---|---|---|
| | **2004** *HK$'000* | 2003 *HK$'000* | Change |
| Turnover | **3,558,763** | 459,666 | +674% |
| Gross profit | **318,193** | 303,683 | +4.8% |
| Profit attributable to shareholders | **588,509** | 177,506 | +232% |
| Basic earnings per share (HKcents) | **27.9** | 7.9 | +253% |
| Interim dividend per share (HKcents) | **8.5** | 5.0 | +70% |

(6 September 2004 – Hong Kong) **Chinese Estates Holdings Limited** ("Chinese Estates or "the Group"; stock code: 0127) is pleased to announce today its interim results for the period ended 30 June 2004.

**Financial Results**

In the six months ended 30 June 2004, turnover increased 6.7 times to HK$3,558.8 million as compared with the same period last year. Gross profit increased by 4.8% to HK$318.2 million, and profit attributable to shareholders reached HK$588.5 million as compared with HK$177.5 million for the same period in 2003. The basic earnings per share were HK27.9 cents, against HK7.9 cents in the first half of last year.

The Board of Directors recommended a payment of interim dividend of HK8.5 cents per share for the six months ended 30 June 2004 (first half of 2003: HK5.0 cents).

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**Property Investment in Hong Kong**

Rental from retail properties continued to be the main source of the Group's rental income. During the period, its gross rental income increased 6.4% to HK$345.7 million in the six months ended 30 June 2004, as compared with the corresponding period last year. The overall rental income benefited from the two property projects acquired last year, namely Tung Ying Building in Tsim Sha Tsui and Tung Sang Building in Wan Chai. Meanwhile, the increase in gross rental income can also be attributed to the positive growth of retail rental as a result of Hong Kong's economic rebound.

As of June 2004, the occupancy levels for the Group's retail portfolio were maintained at over 96%. Such sustainable high occupancy rate is attributable to the prime location of the majority of the Group's retail properties in Hong Kong's busiest shopping districts such as Causeway Bay, Wan Chai, Tsim Sha Tsui and Mong Kok.

Retail rents have continued to improve since the third quarter of last year due to the growth in the tenants' business turnover from increased tourist spending and the revived local consumption.

Although the office property market remained competitive throughout the period under review, office rents have been recovering since the last quarter of 2003. As of June 2004, the occupancy rates for Windsor House, MassMutual Tower, Harcourt House and Tung Ying Building were 96%, 86%, 92% and 81% respectively.

**Property Development in Hong Kong**

In general, the Group's property development projects have been progressing well and on schedule.

The sale of Parc Palais in King's Park (10% interest) has been successful. 334 residential units were sold in the first half of 2004. The sale was recognized in the period, generating a profit contribution of HK$138.9 million, which was included in the investment income.

**Property Investment in China**

Satisfactory occupancy rates were recorded in the Group's properties in China. Hong Kong New World Tower in Shanghai (34.65% interest) recorded an occupancy rate of 83% for office units and 56% for retail units. The Hilton Hotel in Beijing (50% interest) recorded 86% occupancy while Lowu Commercial Plaza in Shenzhen (Level 1 with 79 outlets) boasted an occupancy rate of 98%.

**Listed Securities Investment**

The Group recorded a gross profit of HK$5.3 million, as against a loss of HK$14.8 million in the corresponding period in 2003. Meanwhile, an unrealized holding gain of HK$121.9 million was recorded, compared with HK$0.9 million for the same period last year.

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## Prospects

Mr Joseph Lau, Executive Director of the Group, said, “The revival of local consumption power, the increase in the influx of tourists from mainland China and the implementation of the Closer Economic Partnership Agreement (CEPA) will continue to strengthen the Group’s rental income from its retail and office properties, which are mostly located at prime and preferred locations.”

“Towards the last quarter of 2004, the Group will launch a series of residential projects for presale, expecting to record a significant income contribution to further enhance its financial position,” he said.

“Based on a strong foundation of our property portfolio and an efficient management, the Group is well-poised to be benefited from the burgeoning economic environment,” he concluded.

Baring unforeseen circumstances, Chinese Estates will maintain a dividend payment ratio of not less than 30% for this year.

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