CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2007

The board of directors (the "Board") of Chinese Estates Holdings Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31st December, 2007 (the "Year") pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Group's consolidated income statement and consolidated balance sheet, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2006 are set out as follows:-

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December, 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Turnover	3	**8,446,865**	4,763,789
Cost of sales		**(6,510,325)**	(3,840,040)
Gross profit		**1,936,540**	923,749
Other income	5	**32,256**	30,742
Investment income, net	6	**1,399,071**	833,235
Administrative expenses		**(229,125)**	(186,599)
Other expenses	7	**(9,804)**	(252)
Gain on disposals of property and other fixed assets		**3,109**	1,352
Gain (loss) on disposals of investment properties		**1,776**	(722)
Fair value changes on investment properties		**6,421,788**	6,921,971
Impairment loss recognised in respect of stock of properties		**-**	(200,000)
Finance costs	9	**(575,424)**	(453,519)
Other gains and losses, net	10	**(71,653)**	57,887
Share of results of associates		**601,431**	1,135,167
Profit before tax		**9,509,965**	9,063,011
Income tax expense	11	**(1,177,097)**	(1,505,924)
Profit for the year	8	**8,332,868**	7,557,087
Attributable to:			
Equity holders of the parent		**8,195,857**	7,477,345
Minority interests		**137,011**	79,742
		8,332,868	7,557,087
Dividends	12	**715,238**	535,637
Earnings per share (HK$)	13		
Basic		**3.599**	3.392
Diluted		**3.599**	3.332

CONSOLIDATED BALANCE SHEET
At 31st December, 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Non-current assets			
Investment properties		**38,498,440**	31,771,870
Property and other fixed assets		**101,846**	81,357
Properties under development		**33,548**	-
Prepaid lease payments		**1,417,631**	249,497
Property interests held for future development		**-**	-
Intangible assets		**12,870**	-
Goodwill		**-**	-
Interests in associates		**1,210,936**	1,396,351
Advances to associates		**1,352,741**	931,661
Available-for-sale investments		**11,916,268**	8,532,632
Equity-linked notes		**-**	147,827
Advances to investee companies		**310,055**	1,518
Loans receivable, due after one year		**61,300**	63,079
Deferred tax assets		**66,574**	73,647
Advance to a minority shareholder		**9,527**	9,436
Pledged deposits		**79,217**	71,606
		55,070,953	43,330,481
Current assets			
Stock of properties		**3,781,462**	4,851,504
Investments held-for-trading		**367,753**	142,218
Equity-linked note		**101,516**	75,725
Loans receivable, due within one year		**586**	224
Inventories for cosmetic products		**1,425**	-
Debtors, deposits and prepayments	14	**299,433**	364,749
Securities trading receivables and deposits		**309,766**	276,829
Tax recoverable		**536**	4,083
Pledged deposits		**406,492**	1,014,351
Time deposits, bank balances and cash		**6,167,845**	7,034,820
Presale proceeds held by stakeholders		**206,540**	530,005
		11,643,354	14,294,508
Asset classified as held for sale		**-**	9,338
		11,643,354	14,303,846

CONSOLIDATED BALANCE SHEET (continued)
At 31st December, 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Current liabilities			
Derivative financial instruments		**50,851**	168,644
Creditors and accruals	15	**295,766**	452,544
Securities trading and margin payable		**284,165**	191,206
Deposits and receipts in advance		**297,085**	761,900
Tax liabilities		**230,827**	88,662
Borrowings - due within one year		**2,949,269**	11,004,204
Provisions		**16,017**	16,017
		4,123,980	12,683,177
Net current assets		**7,519,374**	1,620,669
Total assets less current liabilities		**62,590,327**	44,951,150
Non-current liabilities			
Financial guarantee liabilities		**618**	328
Borrowings - due after one year		**9,380,589**	3,709,340
Convertible bonds		**-**	279,689
Amounts due to associates		**8,941**	13,732
Amounts due to minority shareholders		**90,059**	523,489
Deferred tax liabilities		**5,444,587**	4,461,938
		14,924,794	8,988,516
Total assets and liabilities		**47,665,533**	35,962,634
Capital and reserves			
Share capital		**230,044**	225,981
Reserves		**46,931,594**	35,306,717
Equity attributable to equity holders of the parent		**47,161,638**	35,532,698
Minority interests		**503,895**	429,936
Total equity		**47,665,533**	35,962,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st December, 2007

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance and with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as appropriate.

2. Application of New and Revised HKFRSs

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st March, 2006
[3] Effective for annual periods beginning on or after 1st May, 2006
[4] Effective for annual periods beginning on or after 1st June, 2006
[5] Effective for annual periods beginning on or after 1st November, 2006

The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st March, 2007
[3] Effective for annual periods beginning on or after 1st January, 2008
[4] Effective for annual periods beginning on or after 1st July, 2008

3. **Turnover**

Turnover represents the aggregate of amounts received and receivable from the sales of investments held-for-trading, sales of properties held for sale, property rental income, commission from brokerage, settlement charges from brokerage, interest income from loan financing and cosmetic goods sold less returns.

4. **Business and Geographical Segments**

Business segments

For management purposes, the Group is currently organised into five operating divisions – property development and trading, property leasing, money lending, listed securities investments and treasury products and unlisted securities investments, investment holding and brokerage. These divisions are the basis on which the Group reports its primary segments information.

Principal activities are as follows:

Property development and trading	-	Property development and sales of properties
Property leasing	-	Property rental
Money lending	-	Loan financing
Listed securities investments and treasury products	-	Listed securities investments and trading, over-the-counter trading and structured products
Unlisted securities investments, investment holding and brokerage	-	Unlisted securities investments, trading and brokerage

Segment information about these businesses is presented below.

INCOME STATEMENT
For the year ended 31st December, 2007

	Property development and trading HK$'000	Property leasing HK$'000	Money lending HK$'000	Listed securities investments and treasury products HK$'000	Unlisted securities investments, investment holding and brokerage HK$'000	Other operations/ unallocated HK$'000	Consolidated HK$'000
Turnover							
Turnover from external customers	3,403,535	773,331	15,156	4,151,559	99,083	4,201	8,446,865
Result							
Segment result	947,959	7,124,591	15,156	1,318,761	351,365	1,343	9,759,175
Unallocated corporate expenses, net							(203,564)
Finance costs on listed securities investments and treasury products	-	-	-	(118,733)	-	-	(118,733)
Other finance costs							(456,691)
Other gains and losses, net	-	(1,884)	-	-	-	(69,769)	(71,653)
Share of results of associates	434,601	91,724	(299)	-	8,481	66,924	601,431
Profit before tax							9,509,965
Income tax expense							(1,177,097)
Profit for the year							8,332,868

BALANCE SHEET
At 31st December, 2007

	Property development and trading HK$'000	Property leasing HK$'000	Money lending HK$'000	Listed securities investments and treasury products HK$'000	Unlisted securities investments, investment holding and brokerage HK$'000	Other operations/ unallocated HK$'000	Consolidated HK$'000
Assets							
Segment assets	4,739,908	45,052,164	64,546	12,268,020	1,891,023	58,332	64,073,993
Interests in associates	442,287	615,901	(251)	-	-	152,999	1,210,936
Advances to associates	1,170,405	176,100	6,123	-	-	113	1,352,741
Unallocated corporate assets							76,637
							66,714,307
Liabilities							
Segment liabilities	25,039	553,288	57	228,503	285,490	29,653	1,122,030
Unallocated corporate liabilities							17,926,744
							19,048,774

OTHER INFORMATION
For the year ended 31st December, 2007

	Property development and trading HK$'000	Property leasing HK$'000	Unlisted securities investments, investment holding and brokerage HK$'000	Other operations HK$'000	Consolidated HK$'000
Capital additions	1,227,355	444,407	195,588	14,300	1,881,650
Depreciation	-	16,090	-	-	16,090
Amortisation	24,867	609	-	1,430	26,906
Other non-cash expenses	-	1,884	-	-	1,884

INCOME STATEMENT
For the year ended 31st December, 2006

	Property development and trading	Property leasing	Money lending	Listed securities investments and treasury products	Unlisted securities investments, investment holding and brokerage	Other operations/ unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover							
Turnover from external customers	10,700	667,913	9,976	4,040,018	35,182	-	4,763,789
Result							
Segment result	(194,762)	7,528,646	9,976	868,217	266,156	-	8,478,233
Unallocated corporate expenses, net							(154,757)
Finance costs on listed securities investments and treasury products	-	-	-	(178,995)	-	-	(178,995)
Other finance costs							(274,524)
Other gains and losses, net	-	56,892	-	-	-	995	57,887
Share of results of associates	1,010,296	111,622	58	-	7,618	5,573	1,135,167
Profit before tax							9,063,011
Income tax expense							(1,505,924)
Profit for the year							7,557,087

BALANCE SHEET
At 31st December, 2006

	Property development and trading	Property leasing	Money lending	Listed securities investments and treasury products	Unlisted securities investments, investment holding and brokerage	Other operations/ unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets							
Segment assets	5,614,067	38,172,801	66,008	10,663,250	664,772	38,251	55,219,149
Interests in associates	816,713	513,885	43	-	-	65,710	1,396,351
Advances to associates	753,511	169,054	9,096	-	-	-	931,661
Unallocated corporate assets							87,166
							57,634,327
Liabilities							
Segment liabilities	872,095	316,260	99	4,067,818	218,327	40,731	5,515,330
Unallocated corporate liabilities							16,156,363
							21,671,693

OTHER INFORMATION
For the year ended 31st December, 2006

	Property development and trading	Property leasing	Consolidated
	HK$'000	HK$'000	HK$'000
Capital additions	2,547,170	897,110	3,444,280
Depreciation	-	14,235	14,235
Amortisation	-	609	609
Impairment losses recognised in the income statement	200,000	-	200,000
Other non-cash expenses	-	13,474	13,474

Geographical segments

No further geographical segment information is presented as the activities of the Group carried out in Hong Kong and the assets of the Group located in Hong Kong is the only major geographical segment of the Group.

5. Other Income

	2007 HK$'000	2006 HK$'000
Included in other income are:		
Building management fee income	**56,879**	59,281
Building management fee expenses	**(38,940)**	(37,882)
	17,939	21,399
Exchange gain, net	**3,451**	-
Management fee income	**-**	1,159

6. Investment Income, Net

	2007 HK$'000	2006 HK$'000
Gain on financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised gain on investments held-for-trading	**20,372**	5,066
Financial assets at fair value through profit or loss classified as designated:		
Unrealised (loss) gain on equity-linked notes	**(46,311)**	2,366
Realised gain (loss) on equity-linked notes	**2,427**	(17,632)
Net loss on financial assets at fair value through profit or loss classified as designated	**(43,884)**	(15,266)
Financial liabilities at fair value through profit or loss classified as held-for-trading:		
Unrealised gain (loss) on derivative financial instruments	**51,925**	(16,555)
Realised gain (loss) on derivative financial instruments	**65,868**	(59,940)
Net gain (loss) on financial liabilities at fair value through profit or loss classified as held-for-trading	**117,793**	(76,495)
Realised gain on bonds	**-**	8
Transfer from equity on disposals of available-for-sale investments	**888,684**	233,012
Other investment income	**-**	11,968
Dividend income on:		
Listed investments	**89,986**	69,597
Unlisted investments	**65,755**	83,746
Interest income	**227,292**	461,315
Imputed interest on:		
Advances to associates	**33,073**	60,284
	1,399,071	833,235

Included in interest from equity-linked notes & bonds and derivative financial instruments amounted to approximately HK$12 million (2006: HK$245 million) and approximately HK$51 million (2006: HK$137 million) respectively.

7. Other Expenses

	2007	2006
	HK$'000	HK$'000
Included in other expenses are:		
Amortisation of intangible assets	**1,430**	-
Expenses for specific transactions	**8,374**	-
Impairment loss recognised in respect of accounts receivable	**-**	38

8. Profit for the Year

	2007	2006
	HK$'000	HK$'000
Profit for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	**(94,997)**	(86,432)
Retirement benefits scheme contributions, net of forfeited contributions of HK$197,000 (2006: HK$473,000)	**(4,268)**	(3,517)
	(99,265)	(89,949)
Auditors' remuneration	**(1,925)**	(3,505)
Depreciation	**(16,090)**	(14,235)
Amortisation	**(609)**	(609)
Cost of investments held-for-trading recognised	**(3,963,100)**	(3,761,509)
Cost of trading properties recognised	**(2,240,217)**	(5,345)
Cost of cosmetic products recognised	**(1,300)**	-
Share of tax of associates (included in share of results of associates)	**(89,152)**	(227,267)
Gain on disposals of investments held-for-trading included in gross profit :		
Increase in market value of investments held-for-trading	**186,960**	256,613
Realised exchange (loss) gain on translation of investments held-for-trading	**(4,191)**	14,255
	182,769	270,868
Gross rental income from investment properties	**773,331**	667,913
Less: Direct operating expenses from investment properties that generated rental income during the year	**(59,160)**	(48,864)
Direct operating expenses from investment properties that did not generate rental income during the year	**(13,144)**	(11,652)
	701,027	607,397

9. Finance Costs

	2007	2006
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years	**522,265**	345,606
Bank loans wholly repayable over five years	**1,633**	1,760
Other loans wholly repayable within five years	**106,427**	156,393
Amounts due to minority shareholders	**21,756**	33,278
	652,081	537,037
Imputed interest on:		
Amounts due to associates	**1,006**	985
Amounts due to minority shareholders	**2,751**	16,726
Convertible bonds	**4,050**	21,187
	7,807	38,898
Total interest	**659,888**	575,935
Exchange loss on translation of foreign currency loans	**12,306**	22,602
Other finance costs	**4,242**	3,324
	676,436	601,861
Less: Interest capitalised to stock of properties under development	**(40,602)**	(92,979)
Less: Interest capitalised to investment properties under development	**(60,410)**	(55,363)
	575,424	453,519

10. Other Gains and Losses, Net

	2007	2006
	HK$'000	HK$'000
Included in other gains and losses, net are:		
Impairment loss reversed in respect of advances to associates	**1,719**	897
Impairment loss recognised in respect of advance to an associate	**(1,884)**	(13,474)
Gain on disposal of a subsidiary *(Note)*	**158,212**	-
Gain on deemed disposal of interest in an associate	**5,103**	-
Gain on disposal of an associate	**-**	70,366
Loss on conversion of convertible bonds by cash settlement	**(236,705)**	-
Negative goodwill	**624**	-

Note: Gain on disposal of a subsidiary arose from disposal of 15.11% interest in G-Prop (Holdings) Limited by placing on 7th June, 2007.

11. **Income Tax Expense**

	2007 **HK$'000**	2006 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**175,570**	44,998
Other than Hong Kong	**9,556**	5,852
	185,126	50,850
Deferred tax	**991,971**	1,455,074
	1,177,097	1,505,924

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which will change the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

The major deferred tax liabilities recognised by the Group is deferred tax on fair value changes on investment properties of HK$994,206,000 (2006: HK$1,431,805,000) for the year.

12. **Dividends**

	2007 **HK$'000**	2006 HK$'000
(a) Final dividend for 2006 paid on 15th June, 2007 of HK18 cents (2005: HK12 cents) per share		
Cash	**129,774**	108,128
Share alternative under scrip dividend scheme	**277,095**	158,639
	406,869	266,767
(b) Interim dividend for 2007 paid on 3rd October, 2007 of HK13.5 cents (2006: HK12 cents) per share		
Cash	**121,204**	72,965
Share alternative under scrip dividend scheme	**187,165**	195,905
	308,369	268,870
Total dividends paid	**715,238**	535,637

The final dividend of HK22.5 cents (2006: HK18 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

13. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the parent is based on the following data:

	2007	2006
	HK$'000	HK$'000
Earnings:		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	**8,195,857**	7,477,345
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds		21,187
Earnings for the purposes of diluted earnings per share		7,498,532

	Number of shares	
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,277,396,424**	2,204,297,086
Effect of dilutive potential ordinary shares:		
Convertible bonds		46,269,727
Weighted average number of ordinary shares for the purposes of diluted earnings per share		2,250,566,813

Diluted earnings per share for the year ended 31st December, 2007 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

14. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK$119,439,000 (2006: HK$22,138,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings and properties sales proceeds receivable.

The following is an aged analysis of trade receivables at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0 - 30 days	**103,443**	7,923
31 - 60 days	**1,216**	1,464
61 - 90 days	**1,391**	660
Over 90 days	**13,389**	12,091
	119,439	22,138

The Directors consider that the fair value of the Group's debtors at the balance sheet date was approximately their carrying amounts.

15. **Creditors and Accruals**

Included in creditors and accruals are trade payables of approximately HK$43,765,000 (2006: HK$13,599,000).

The following is an aged analysis of trade payables at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0 - 90 days	**38,243**	11,605
Over 90 days	**5,522**	1,994
	43,765	13,599

The Directors consider that the fair value of the Group's creditors at the balance sheet date was approximately their carrying amounts.

16. **Capital Commitments and Contingent Liabilities**

	2007	2006
	HK$'000	HK$'000
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	**460,080**	513,922
Development expenditure of properties in Mainland China	**126,637**	-
Development expenditure of properties in Macau	**51,780**	36,802
Acquisition of land *(Note)*	**-**	510,270
Renovation of properties	**276,546**	282,467
	915,043	1,343,461
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	**163,113**	164,814
Renovation of properties	**224**	1,200
	163,337	166,014

Note: As at 31st December, 2006, the Group committed to pay approximately HK$510,270,000 for balance of land costs in respect of an acquisition of two pieces of land in Chengdu of the Mainland China.

	2007	2006
(b) Contingent liabilities:		
Guarantees given to bank, in respect of banking facilities utilised by associates/investee company	**1,069,650**	740,500
Guarantee given to third parties in respect of those rent of disposed properties previously held by a subsidiary	-	7,204
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	**10,000**	10,000
	1,079,650	757,704

DIVIDENDS

The Board has recommended the payment of final dividend of HK22.5 cents per share for the Year (2006: HK18 cents) and propose to give shareholders the option of receiving part or all of the final dividend in form of new shares ("Scrip Dividend") in lieu of cash dividend. The Scrip Dividend proposal (the "Proposal") will be conditional on (i) the approval of the recommended final dividend at the forthcoming annual general meeting of the Company and (ii) the Stock Exchange granting a listing of and permission to deal in the shares to be issued pursuant to the Proposal. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the recommended final dividend will be paid on or around 25th June, 2008 to shareholders whose names appear on the register of members of the Company on 15th May, 2008.

Together with the interim dividend of HK13.5 cents per share (2006: HK12 cents), the total distribution for 2007 will amount to HK36 cents per share (2006: HK30 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 9th May, 2008 to 15th May, 2008, both days inclusive. In order to qualify for the recommended final dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8th May, 2008.

FINANCIAL OPERATION REVIEW

Results

Turnover for the Year amounted to HK$8,446.9 million (year ended 31st December, 2006: 4,763.8 million), a 77.3% increase over the same period last year. It was mainly due to the sales proceeds recognised from the Phase 1 of The Zenith in Wanchai.

For property leasing, despite the lower portion of Windsor House and cinema portion of Silvercord had been vacant for renovation since late 2006 and were completed at the end of 2007, the Year still recorded an increase of 15.8% in rental income from HK$667.9 million in 2006 to HK$773.3 million in 2007 which included full year rental contribution from Laforet in Excelsior Plaza and Evergo Tower in Shanghai, which were re-opened in July 2006 and acquired in March 2006 respectively. Rental income from other properties have also shown a satisfactory increase during the Year.

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.

In relation to property development, presale and sale of The Zenith in Wanchai (87.5% interest) had been successful since last year. The sales was recognised during the Year and had contributed a profit to the Group of approximately HK$757.0 million. Miami Crescent in Sheung Shui (50% interest), Indihome in Tsuen Wan (50% interest) and Mount Beacon in Kowloon Tong (33.33% interest) continuously had generated profit of HK$47.4 million (year ended 31st December, 2006: HK$107.8 million), HK$26.1 million (year ended 31st December, 2006: HK$239.6 million) and HK$308.5 million (year ended 31st December, 2006: 690.0 million) respectively, all of which were included in share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK$33.0 million (year ended 31st December, 2006: HK$51.5 million) was recorded in investment income.

In respect of the performance of listed securities investments and treasury products, the Group has recorded profit of HK$1,318.7 million (year ended 31st December, 2006: HK$868.2 million) and HK$1,200.0 million (year ended 31st December, 2006: HK$689.2 million) before and after finance costs respectively. The components in the income statement for the Year were gross profit of HK$182.7 million (year ended 31st December, 2006: HK$270.9 million), unrealised gain of HK$26.0 million (year ended 31st December, 2006: loss of HK$9.1 million), realised gain on disposals of available-for-sale investments of HK$888.7 million (year ended 31st December, 2006: HK$233.0 million), and gain on other treasury products, dividend and interest income of HK$221.3 million (year ended 31st December, 2006: HK$373.4 million). Finance costs of HK$118.7 million (year ended 31st December, 2006: HK$179.0 million) included interest expense and exchange loss in the sum of HK$106.4 million (year ended 31st December, 2006: HK$156.4 million) and HK$12.3 million (year ended 31st December, 2006: HK$22.6 million) respectively. In addition to profit recognised in the income statement, net gains of HK$3,615.1 million was recognised in equity during the Year comprised unrealised gains on available-for-sale investments of HK$4,505.8 million (year ended 31st December, 2006: HK$4,211.6 million) and realised gains transfer to income statement on disposals of available-for-sale investments of HK$890.7 million (year ended 31st December, 2006: nil).

Other income recorded an increase of 4.9% to HK$32.3 million when compared with the same period last year. Administrative expenses increased by 22.8% to HK$229.1 million as compared with the same period last year. Finance costs recorded an increase of 26.9% to HK$575.4 million as compared with the same period last year.

Other gains and losses recorded a net loss of HK$71.7 million (year ended 31st December, 2006: net gains of HK$57.9 million), including the gain on disposal of 15.11% in G-Prop (Holdings) Limited ("G-Prop") and the loss on cash redemption of the zero coupon convertible bonds.

The share of results of associates for the Year decreased by 47.0% to HK$601.4 million as compared with the same period last year (year ended 31st December, 2006: HK$1,135.2 million), including fair value gains on investment properties and profits on disposals of Miami Crescent, Indihome and Mount Beacon.

Profit attributable to equity holders of the parent for the Year was HK$8,195.8 million as compared to HK$7,477.3 million for the same period last year. The profit for the Year was mainly attributable from the fair value gains on investment properties, profit on sales of trading properties, gains on listed securities investments and treasury products and the share of results of associates generated from the sales of development properties. Earnings per share was HK$3.599 (year ended 31st December, 2006: HK$3.392).

If the major non-cash item of HK$5,463.7 million (2006: HK$5,339.6 million) is excluded, core profit attributable to equity holders of the parent for the Year will become HK$2,732.1 million (2006: HK$2,137.7 million) and core earnings per share will become HK$1.20 (2006: HK$0.97), an increase of 27.8% and 23.7% over 2006 respectively.

The major non-cash item is fair value gains on investment properties together with their respective deferred tax expenses of HK$5,463.7 million (2006: HK$5,539.6 million). No impairment loss recognised (2006: impairment loss recognised of HK$200.0 million) in respect of stock of properties for the Year.

A final dividend of HK18 cents per share in amount of HK$406.9 million for the year ended 31st December, 2006 (year ended 31st December, 2005: HK12 cents) and an interim dividend of HK13.5 cents per share in amount of HK$308.4 million for the half year ended 30th June, 2007 (half year ended 30th June, 2006: HK12 cents) were paid in cash and in form of new shares in lieu of cash (scrip dividend) during the Year. 31.9% and 68.1% were paid in cash and in scrip dividend respectively for the final dividend as well as 39.3% and 60.7% were paid in cash and in scrip dividend respectively for the interim dividend.

A final dividend has been recommended at HK22.5 cents (2006: HK18 cents) per share. Together with interim dividend of HK13.5 cents (2006: HK12 cents) per share, the total dividend for the Year is HK36 cents (2006: HK30 cents) per share, representing a total dividend payout of 10.0% (2006: 8.8%). If the net income on the major non-cash item (per above) for the Year is excluded, the dividend payout ratio on the core profit for the Year will become 30.0% (2006: 30.9%).

Net Asset Value

As at 31st December, 2007, the Group's total net asset to equity holders of the parent amounted to approximately HK$47,162 million (31st December, 2006: HK$35,533 million), an increase of HK$11,629 million or 32.7% when compared with 31st December, 2006. With the total number of ordinary shares in issue of 2,300,443,378 as at 31st December, 2007 (31st December, 2006: 2,259,809,483 shares), the net asset value per share to equity holders of the parent was HK$20.50, an increase of 30.4% over 31st December, 2006 (HK$15.72). The increase in net asset value per share was mainly due to the fair value gains on listed securities investments and the profit retained for the Year, including the fair value gains on investment properties and the profit on sales of trading properties.

Included in the total net asset is deferred tax liabilities of HK$5,345 million on fair value gains on investment properties. If the deferred tax liabilities are excluded, the total net asset to equity holders of the parent will become HK$52,507 million or HK$22.8 per share.

During the Year, the Group had acquired a land in West Kowloon in joint venture with 15% interest and further acquired an additional land in Chengdu for development, acquired the remaining 50% cosmetic business, disposals of certain investment properties, bought and sold listed securities investments and disposal of 15.11% interest in G-Prop. Other than the existing projects and those disclosed in the annual report, the Group did not have any future plans for material investment or capital assets.

Securities Investments

As at 31st December, 2006, the listed securities investments and treasury products was HK$8,376.4 million. During the Year, the portfolio was reduced by a net disposal of HK$517.8 million (a decrease of 6.2% over 2006) and was increased by the release of the fair value liability on the knocked out derivative financial instruments of HK$65.9 million. After adding the fair value gains of HK$3,883.5 million (2006: HK$4,202.5 million) for the Year, the listed securities investments portfolios of the Group reached HK$11,808.0 million at 31st December, 2007, representing 17.7% (31st December, 2006: 14.5%) of the total assets, which formed part of the Group's cash management activities.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2007 and 31st December, 2006 were 2,300,443,378 and 2,259,809,483 respectively.

Convertible Bonds

During the Year, HK$4.0 million in principal of the zero coupon convertible bonds (the "Bonds") has been converted into 573,888 ordinary shares. In accordance with Condition 8 of the Terms and Conditions of the Bonds, the Company has an option to redeem the outstanding Bonds on 21st May, 2007 at 100% of the principal amount. On 20th April, 2007, the Company had given the notice to the bondholders of the outstanding Bonds to request the early redemption. All outstanding Bonds in principal of HK$318.5 million had executed the right to convert the Bonds into shares of the Company (the "Conversion Right"). The Company took the option by cash settlement to satisfy the Conversion Right in HK dollars in full. Accordingly, all outstanding Bonds were settled by cash of approximately HK$571.7 million in May and June 2007. As at 31st December, 2007, there is no outstanding Bonds

Debt and Gearing

As at 31st December, 2007, the Group's bank and other borrowings amounted to HK$12,330 million (31st December, 2006: HK$14,993 million). Cash and deposit at bank amounted to HK$6,654 million (31st December, 2006: HK$8,121 million) and net borrowings amounted to HK$5,676 million (31st December, 2006: HK$6,872 million).

Total debt to equity ratio was 25.9% (31st December, 2006: 41.7%) and net debt to equity ratio was 11.9% (31st December, 2006: 19.1%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total equity of HK$47,666 million (31st December, 2006: HK$35,963 million).

The decrease in total and net debt to equity ratio was due to an increase in total equity and a decrease in total and net borrowings respectively. Increase of total equity was mainly attributable from the profit retained for the Year and fair value gains on available-for-sale investments.

Furthermore, if the listed securities investments and treasury products of HK$11,808 million (31st December, 2006: HK$8,376 million) are included, there will be net cash position of HK$6,132 million (31st December, 2006: HK$1,504 million).

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars (98.6%) and Swiss Franc (1.4%). Of the Group's bank and other borrowings of HK$12,330 million, 23.9%, 9.6%, 66.4% and 0.1% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR and the inter-bank rate. No hedging for interest rate was subsisted at the end of the year.

Pledge of Assets

As at 31st December, 2007, the Group had pledged the following assets:

(a) The Group's investment properties, property and other fixed assets, prepaid lease payments, stock of properties and time deposits with their respective carrying amount of approximately HK$37,048.5 million (31st December, 2006: HK$30,062.6 million), HK$47.6 million (31st December, 2006: HK$49.1 million), HK$239.2 million (31st December, 2006: HK$239.8 million), HK$561.9 million (31st December, 2006: HK$2,829.5 million) and HK$485.7 million (31st December, 2006: HK$1,086.0 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.

(b) The Group's investments held-for-trading with carrying amount of approximately HK$194.7 million (31st December, 2006: investments held-for-trading, available-for-sale investments and equity-linked notes HK$7,258.5 million) was pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions and utilised by the Group as borrowings due within one year of approximately HK$177.5 million (31st December, 2006: HK$3,924.7 million).

(c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

(d) The Group has subordinated and assigned its advances to associates and advance to an investee company of approximately HK$1,152.0 million (31st December, 2006: HK$802.1 million) to financial institutions to secure banking general credit facilities granted to associates and investee company.

Financial and Interest Income/Expenses

Interest income was included in turnover and investment income. Interest income for the Year was HK$270.8 million, representing a decrease of 43.5% from that of 31st December, 2006 (HK$479.1 million). Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans and arrangement, facility and commitment fee expenses. Excluding imputed interest, interest expenses for the Year amounted to HK$553.8 million, representing a 36.6% increase over the interest expenses of HK$405.4 million recorded for the same period last year. The increase in interest expenses was mainly due to increase in borrowings during the Year. Interest capitalised for the Year was HK$101.0 million as compared to HK$148.3 million for last year. The average interest rate over the year under review was 4.81% (2006: 4.74%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies and Share Option Scheme

During the Year under review, the Group employed a total of 300 staff (year ended 31st December, 2006: 286 staff) (excluding about a total of 270 staff (year ended 31st December, 2006: 253 staff) for estate management employed under the Group's estate management company, Perfect World Company Limited).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

Mainland China and Macau

Profit contribution from the Group's investment in the Mainland China (including gross profit, fair value changes on investment properties and share of results of associates) for the Year amounted to HK$222.8 million representing 2.7% of the profits attributable to equity holders of the parent (year ended 31st December, 2006: HK$90.2 million). The Group's net investment in the Mainland China as at 31st December, 2007 amounted to HK$4,295.4 million (31st December, 2006: HK$1,345.0 million) representing approximately 6.4% of the Group's total asset value and 9.0% of the Group's net asset value. Further the Group's net investment in Macau as at 31st December, 2007 amounted to HK$1,660.7 million (31st December, 2006: HK$1,299.9 million) representing approximately 2.5% of the Group's total asset value.

Listed Subsidiary

At the year end date, the Group owned 61.96% interest in Chi Cheung Investment Company, Limited.

Listed Associate

On 4th June, 2007, the Company, through its wholly owned subsidiary, made a placing of 120,000,000 shares of G-Prop (the "Shares") at a placing price of HK$1.50 per Share to independent third parties (the "Placing"). Immediately upon completion of the Placing, the Shares owned by the Group were reduced from 397,858,761 Shares, representing approximately 50.10%, to 277,858,761 Shares, representing approximately 34.99%. G-Prop becomes an associate of the Group since 7th June, 2007. The interest has been further diluted to 13.69% effective 25th October, 2007 after the allotment and issue of new shares of G-Prop. In consideration of continued exercise the significant influence by nomination of 2 executive directors in the board of G-Prop, G-Prop is still an associate of the Group.

Property Valuation

A property valuation has been carried out by Messrs. Norton Appraisals Limited, independent qualified professional valuers, in respect of the Group's investment properties as at 31st December, 2007 and that valuation was used in preparing 2007 financial statements. The Group's investment properties were valued at HK$38,498 million (2006: HK$31,772 million), a 20% increase over 2006 after adjusted for additions and disposals of investment properties during the Year. The increase in fair value of approximately HK$6,422 million was credited to the income statement for the Year. The Group also shared an increase in fair value changes on investment properties of the associates of HK$59 million (net of deferred tax of HK$8 million) for the Year. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the financial statements.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. 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.

Although the Group recorded a rental loss during the Year due to the renovation works of Windsor House and Silvercord, the Group was able to sustain a gross rental growth by 15.78% with rental income of HK$773.33 million for the Year 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, and the respective increases in retail and non-retail portion have been 23.42% and 24.47%.

As at 31st December, 2007, all the shops of Excelsior Plaza – Laforet and Causeway Place were fully let out.

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 previously occupied by supermarket, department store and an anchor tenant to provide greater varieties of prime retail shops and specialty restaurants. The first phase renovation was completed in the third quarter of 2007 and the second phase renovation 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.

As for Silvercord, the first phase of converting the bubble lifts to shops was completed in 2006 with the second phase completed in the second quarter of 2007. The conversion of the cinema to shops was also completed in the third quarter of 2007. Rental income was raised significantly over-seven folds as compared with the previous lease due to the increase in more quality brands and its occupancy rate was 85.95% as at 31st December, 2007.

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.

The foundation works of the redevelopment of Tung Ying Building in Tsim Sha Tsui were completed in November 2007. Basement construction works are in progress. It is scheduled that the superstructure works will commence in the fourth quarter of 2008. MTR Corporation Limited (“MTRC”) 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. MTRC is seeking government’s policy support on its planning. Completion of the redevelopment is expected to be in early 2010.

Tung Sang Building, i.e. No. 20 Johnston Road, 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 re-scheduled to early 2009.

The Group won a tender in 2006 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 project 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 in end 2008.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the 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 re-scheduled to mid 2009 and the construction work is expected to be completed in mid 2012.

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 provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximate 480 square feet to 1,100 square feet. The pre-sale consent is expected to be received in the first quarter of 2008 and the launching of this project is currently expected in March 2008.

Another one is located at Larch Street/Bedford Road in Tai Kok Tsui, it will provide a single residential tower block comprises 182 units with flat size ranging from saleable floor area of approximate 400 square feet to 1,080 square feet. The superstructure work is in progress and the whole project is expected to be completed in second half of 2008 and launched in the second quarter 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 commenced. Residential and retail properties with a total gross floor area of around 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 about 650,684 square feet will be developed. Foundation work has been commenced and the whole project is expected to be completed in end 2010.

Macau Property Development

The Group had acquired 5 parcels of adjoining land in Taipa, Macau (70.01% interest) around early 2006. 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. The site formation and basement excavation work contract of phase I has been awarded. The launching of phase I of this project is re-scheduled to mid of 2008.

Mainland China Property Investment

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 23-storey office/shopping complex including a 2-storey basement and has a total gross floor area of around 263,708 square feet 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.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was 96.05% let out as of December 2007.

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 projects at Dongda Street of Jinjiang District and Yingbin Road of Jinniu District in Chengdu have respective site area of approximately 194,411 square feet and 795,625 square feet with corresponding gross floor area of approximately 1.65 million square feet and 3.74 million square feet. Dongda Street project is at design stage and is expected to be completed in mid 2011. Yingbin Road project, currently in site formation processes, is expected to be completed in mid 2010.

The commercial and residential project at South Taisheng Road of Qingyang District in Chengdu has a site area of about 404,267 square feet with a development scale of around 3.2 million square feet. The project is also at design stage and is expected to be completed in early 2012.

A residential land at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), jointly invested with Sino Land Company Limited and C C 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 site area of 2,207,546 square feet and a gross floor area of 11 million square feet approximately. The project is at design stage and the land use rights will be obtained upon full settlement of land cost.

Though the central government’s regulatory policies have recently cooled down the overheated PRC property market, the Group believes that the market with moderate adjustments will benefit most in long run.

Acquisition of Cosmetics Business

On 29th June, 2007, the Group acquired from Power Jade Limited, an associate of the Company, its interests in "Kwong Sang Hong" cosmetics business at a consideration of HK$20 million (the "Acquisition"). Upon completion of the Acquisition, the Group obtained 100% control over such cosmetics business. The Acquisition constituted a connected transaction for the Company.

POST BALANCE SHEET EVENTS

Proposed Transaction with Chi Cheung Investment Company, Limited ("Chi Cheung")

On 17th January, 2008, the Group entered into a conditional sale and purchase agreement with Chi Cheung, in relation to the acquisition of share interests in and loans to certain subsidiaries of Chi Cheung, subject to the approval of the independent shareholders of Chi Cheung. The relevant joint announcement with Chi Cheung was made on 17th January, 2008.

Loss on Fair Value Changes of Listed Securities Investments Included in Available-for-sale Investments

As announced on 31st January, 2008, the Group had a loss on fair value changes of listed securities investments included in available-for-sale investments (the "Loss") for one month ended 31st January, 2008. It is estimated that the Loss amounting to approximately HK$3,336.7 million will be recognized to equity as securities investments reserve of the Group for one month ended 31st January, 2008. The carrying amount of the gain on fair value changes of listed securities investments included in available-for-sale investments accumulated in equity as at 31st January, 2008 will amount to approximately HK$4,807.2 million.

Shareholding in G-Prop (Holdings) Limited ("G-Prop")

Further to the placing of shares in G-Prop by the Group in June 2007, the interest of the Group in G-Prop was reduced to 34.99%. G-Prop therefore ceased to be a subsidiary of the Company and became an associated corporation of the Company. In October 2007, the interest of the Group in G-Prop was diluted to 13.69% after issue and allotment of new shares in G-Prop.

In February 2008, Mass Rise Limited ("Mass Rise"), a subsidiary of the Company, had acquired 740,518,325 shares of G-Prop, representing 36.51% shareholding, at a consideration of approximately HK$120.8 million. Accordingly, the Group holds 50.20% shareholding in G-Prop and G-Prop became a subsidiary of the Company.

OTHER INFORMATION

Possible Offer

As announced in July 2007, a number of third parties expressed interests in relation to the possible acquisition of the Company. A further announcement was made in August 2007 regarding termination of talks with all third parties and the offer period pursuant to the Hong Kong Code on Takeovers and Mergers ended on 1st August, 2007.

Zero Coupon Convertible Bonds Due 2010

The Company issued zero coupon convertible bonds in 2005 in a principal amount of HK$1,810,000,000, due 2010 with a call and put option in May 2007 ("Convertible Bonds").

In January 2007, Convertible Bonds with a total value of HK$4,000,000 were converted into 573,888 shares at the conversion price of HK$6.97.

On 20th April, 2007, the Company gave a notice to bondholders that it would redeem all outstanding Convertible Bonds with a total value of HK$318,500,000 on 21st May, 2007 pursuant to the terms and conditions of the Convertible Bonds. All the remaining bondholders exercised their conversion rights and accordingly the Company exercised its cash settlement option to the relevant bondholders pursuant to the terms and conditions of the Convertible Bonds. Application for withdrawal of listing of the Convertible Bonds on the Stock Exchange was made to the Stock Exchange by the Company which was then effective on 30th August, 2007.

PROSPECTS

Despite the uncertain global economic condition, Hong Kong's economic prospects are expected to be optimistic in the year 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. In general, the property markets of Macau and Mainland China should continue to be satisfactory in the near future.

The Group sees promising future in its core businesses. 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. It is expected that the Group will enjoy substantial rental growth from the future new leases.

In addition to expanding our investment property portfolio in Hong Kong, the Group will continue to 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.

The Directors review the share price of the Company and its underlying net asset value on a regular basis, when the share price represents a significant discount to its net asset value, the Board will consider repurchase of its shares on the Stock Exchange.

CORPORATE GOVERNANCE

In the Corporate Governance Report of our 2006 Annual Report and the section of Corporate Governance under our 2007 Interim Report, it was reported that the Company had adopted the code provisions (the "Code Provisions") set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices, save for the deviations specified and explained therein.

The Board had applied the principles and complied with the Code Provisions and certain recommended best practices (the "Best Practices") set out in the Code throughout the Year except as disclosed in below paragraph "Chairman and Chief Executive Officer".

Chairman and Chief Executive Officer

Mr. Joseph Lau, Luen-hung ("Mr. Joseph Lau"), acts as both the chairman (the "Chairman") and chief executive officer (the "CEO") of the Company since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises two Executive Directors, one Non-executive Director and three Independent Non-executive Directors ("INEDs"), with INEDs representing 50% of the Board, which is higher than the Best Practices. Such a high percentage of INEDs in the Board could ensure their views carry significant weight and it reflects a strong independence element in the composition of the Board. At present, the Board also believes that under the leadership of Mr. Joseph Lau as the Chairman and CEO, the Board's decision could be made effectively and it is beneficial to the management and development of the Group's businesses. The Board would still consider segregation of the roles of Chairman and CEO if and when appropriate.

Retirement by Rotation and Specific Term of Office

To ensure better compliance with the Code, relevant amendments to the Company's Bye-laws were approved by shareholders at the annual general meeting held on 15th May, 2007 to provide that no Director (save for any executive chairman and managing director) shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Directors' appointment or re-election, whichever is longer, without submitting himself/herself for re-election at the annual general meeting of the shareholders. As a result, Directors (save for any executive chairman and managing director) shall retire by rotation at least once every three years and a specific term of office has been fixed for appointment of Directors (save for any executive chairman and managing director).

However, according to the Private Act for incorporating the Company as an exempted company under the law of Bermuda in 1989, it is stipulated that the executive chairman and any managing director should not be required to retire by rotation. As the Company is bound by the provisions of the Private Act, the Bye-laws cannot be amended to fully reflect the requirements of the Code. In order to comply with the Code Provisions, the Chairman and CEO of the Company is willing to voluntarily retire from his directorship at future annual general meetings of the Company at least once every three years, and being eligible, will offer himself for re-election at the relevant annual general meetings. Mr. Joseph Lau, Luen-hung is willing to retire voluntarily at the forthcoming annual general meeting and being eligible, offer himself for re-election.

Every Director will therefore retire either by rotation under the Bye-laws or voluntarily at least once every three years and will subject himself/herself to the absolute and free choice of the shareholders for re-election at the annual general meetings.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the said code of conduct throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in the paragraph “Zero Coupon Convertible Bonds Due 2010” under “Other Information” section, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Year.

APPRECIATION

I would like to take this opportunity to thank the shareholders of their continuing support. I also thank my fellow directors and staff members for their dedication and hard work.

On behalf of the Board
Joseph Lau, Luen-hung
Chairman

Hong Kong, 7th March, 2008

As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung and Mr. Lau, Ming-wai as Executive Directors, Ms. Amy Lau, Yuk-wai as Non-executive Director and Mr. Chan, Kwok-wai, Mr. Cheng, Kwee and Ms. Phillis Loh, Lai-ping as Independent Non-executive Directors.

Website: http://www.chineseestates.com

This announcement will also be published in The Standard on 10th March, 2008.