

## 2005 INTERIM ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2005  (Unaudited)  HK\$'M	Six months ended 30th June, 2004  (Unaudited and restated)  HK\$'M	% Change
<b>Turnover</b>	<b>542.4</b>	486.6	<b>+11.5%</b>
<b>Operating profit before depreciation and amortisation</b>	<b>290.7</b>	168.3	<b>+72.7%</b>
<b>Depreciation and amortisation</b>	<b>64.9</b>	69.1	<b>-6.1%</b>
<b>Operating profit</b>	<b>225.8</b>	99.2	<b>+127.6%</b>
<b>Net profit attributable to ordinary shareholders</b>	<b>302.3</b>	109.5	<b>+176.1%</b>
<b>Basic earnings per ordinary share</b>	<b>HK3.6 cents</b>	HK1.4 cents	<b>+157.1%</b>
<b>Interim Dividend</b>	<b>HK0.25 cent</b>	Nil	–

Press Release

September 15, 2005

For Immediate Release

**Regal Hotels Group Announces 2005 Interim Results**  
**Net Profit Leaping 176% to HK\$302Million**

Regal Hotels International Holdings Limited (“the Regal Group”, stock code: 078) announced today the interim results for the period ended June 30, 2005.

For the six months ended June 30, 2005, the Regal Group achieved an unaudited consolidated net profit attributable to shareholders of HK\$302.3 million, after netting off aggregate depreciation and amortisation of HK\$64.9million (2004 – HK\$69.1 million, as restated), which represented an increase of about 176.1% as compared with the net profit of HK\$109.5 million (as restated) for the corresponding period in 2004.

In view of the satisfactory results achieved, the Directors have resolved to declare the payment of a interim dividend of HK0.25 cent per ordinary share for the financial year ending December 31, 2005 (2004 – nil).

In the preparation of the Regal Group’s interim financial statements for the six months ended June 30, 2005, the Company has adopted a number of new or revised Hong Kong Accounting Standards. For example, prior to January 1, 2005, it was the Regal Group’s policy to state the value of the Regal Group’s hotel properties in Hong Kong at their open market valuations appraised annually and not depreciated. Under the new or revised accounting standards, these hotel properties are now stated at costs less accumulated depreciation and amortisation in the financial statements. However, such changes have no actual impact on the operating cash flows and the underlying business of the Regal Group.

## **HOTELS**

The tourist business in Hong Kong in the first half of 2005 continued to fare well, with total visitor arrivals growing by about 9.6% over the first half of 2004. However, the number of visitors from Mainland China in the second quarter of 2005 was below earlier expectations, apparently due to the postponing of some of their trips to Hong Kong pending the opening of the Hong Kong Disneyland in this September. Overall for the first six months of 2005, visitors from Mainland China have only increased by a modest 3.8% though, on the other hand, notable growth was recorded in the visitor arrivals from most long-haul markets.

Based on the information published by the Hong Kong Tourism Board, the average room occupancy for the hotels in Hong Kong during the period was 83%, which was about 2.4% lower than the comparative period in 2004, while the average achieved room rate has increased by 18.2% over the same period. The published figures are reflective of the general disposition of most of the hotel operators in Hong Kong to place increasing focus on the improvement of room rates, having now stabilised a satisfactory room occupancy level. As a matter of fact, the prevailing average room rate achieved by the hotels in Hong Kong as a whole is still significantly below its previous peak level and lags behind those achieved in other comparable major international cities.

During the period under review, the combined average room occupancy for the five Regal Hotels in Hong Kong was up by about 3.6% as compared with the same period in 2004, while the combined average achieved room rate increased by about 14.4%. Total hotel profits (including rental income) of these five hotels for the period amounted to HK\$230.6million, which represented an increase of about 19.5% over the corresponding figure in 2004. Gross operating profit margin for the period is about 45% and with the relatively fixed nature of the operating cost structure, any rise in room rates is expected to have a magnified impact on the hotels' overall profitability.

The various renovation, upgrading and extension programmes planned for the Regal Group's hotels in Hong Kong are all progressing as scheduled. The Regal Group will continue to commit appropriate capital expenditures on the Regal Group's hotels in

Hong Kong to enhance and upgrade their image and facilities, with a view to further boosting their overall revenues.

As stated in the recent announcement, by reason of certain material changes in the circumstances affecting some fundamental issues that had remained unresolved, the Memorandum of Agreement regarding a hotel development project within the Cotai Resort Area in Macau ceased to have effect on September 6, 2005, and the Company has applied directly to the Macau Government for the land grant of the land parcel in the Cotai Resort Area, and if the application is approved, the Regal Group can and is well positioned to proceed with the proposed development project as soon as practicable.

The Regal Group plans to develop a mega scale hotel complex on the subject land in Macau with a site area of approximately 618,000 square feet and a total expected permissible gross floor area of approximately 3.4 million square feet. The proposed development project, which is planned to be developed in two phases, will comprise three four-star to super-five-star hotels with a total of 3,950 guestrooms and suites, together with food and beverage outlets and related hotel facilities, a casino, a performance theatre, a convention plaza, a 3-D IMAX theatre, shopping and entertainment areas as well as a hotel training school.

## **PROPERTIES**

Due to the rising interest rates, there has been some consolidation of the property market in Hong Kong. As far as the high-end residential sector is concerned, transaction volume has generally declined, but transacted prices have stayed firm. In view of the scarcity of supply and the high replacement cost of land, outlook of the luxury residential property market continues to be positive. For the six months ended June 30, 2005, the Regalia Bay in Stanley, which is 70% owned by the Regal Group, contributed to the Regal Group a profit of HK\$140.6 million, inclusive of write back of provision. The remaining unsold houses in Regalia Bay, which are mostly of larger sizes and/or on better locations, are planned to be released for sale in stages in keeping with the anticipated rising demand and corresponding price appreciation.

## **OUTLOOK**

Businesses at the five Regal Hotels in Hong Kong for July and August remained steady, but with the opening of the Hong Kong Disneyland in September and the holding in Hong Kong of international high profile events such as the World Trade Organisation ministerial conference in December, overall operating results for the second half of 2005 should be substantially better than that attained in the first six months, particularly that the second half year comprises the traditional high season of the year.

Many additional facilities are planned by the Hong Kong Airport Authority within the Airport complex, such as the AsiaWorld-Expo, the SkyPlaza and a golf course. The AsiaWorld Expo, which is scheduled to open in December 2005, is a world-class exhibition and event venue with over 750,000 square feet of rentable space. The Regal Airport Hotel will be well benefited as being the only hotel located in the Airport compound and is already receiving hotel room bookings at attractive rates from exhibition and event organisers at the AsiaWorld-Expo spreading out over a substantial period of 2006.

With the large capacity and the diverse network of its hotels in Hong Kong, the Regal Group is well positioned to capture the anticipated surge in visitors coming to visit the Hong Kong Disneyland. In this regard, special hotel transportation has been arranged to link all the five Regal Hotels with the Hong Kong International Airport and the Disneyland, and many more larger bedrooms have been fitted with three to four beds catering to families and to suit the requirements of different hotel customers. Moreover, the Regal Group has been working closely in collaboration with a number of travel agencies and airlines that are actively marketing the Disneyland related packages and using the Regal Hotels in Hong Kong. As can be expected, market response so far is very positive, bringing in additional new businesses to the Group's hotels.

Mr. Y.S. Lo, Chairman and Managing Director of the Regal Group, concluded in the Interim Results Announcement that, “Overall, the Regal Group is confident of the continuing prospects of the local hotel industry and is committed to maintaining its position as a leading hotel owner and operator in Hong Kong.”

# # #

For further information, please refer to the full set of Regal’s results announcement released today.

For media enquiries, please contact:

Ms Amy Kwong, Director of Communications  
Tel: 2837 1963 Fax: 2577 9912  
Email: [rhk.pr@RegalHotel.com](mailto:rhk.pr@RegalHotel.com)