

2006 INTERIM ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2006	Six months ended 30th June, 2005	% Change
	(Unaudited)	(Unaudited)	
	HK\$'M	HK\$'M	
Revenue	608.3	542.4	+12.1%
Net hotel and management income	289.1	230.6	+25.4%
Operating profit before depreciation and amortisation	294.2	290.7	+1.2%
Depreciation and amortisation	68.0	64.9	+4.8%
Operating profit	226.2	225.8	+0.18%
Profit for the period attributable to the shareholders	310.8	302.3	+2.8%
Basic earnings per ordinary share	HK3.7 cents	HK3.6 cents	+2.8%
Proforma net asset value per ordinary share	HK\$1.49*	HK\$1.47* [#]	+1.4%
Interim dividend	HK0.25cent	HK0.25 cent	-

* based on market valuation of hotels
as at 31st December, 2005

[#] as at 31st December, 2005

Press Release

September 18, 2006

For Immediate Release

Regal Hotels Group Announces 2006 Interim Results

Regal Hotels International Holdings Limited (“the Regal Group”, stock code: 078) announced today the interim results for the period ended June 30, 2006.

For the six months ended 30th June, 2006, the Group achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$310.8 million, as compared with the profit of HK\$302.3 million for the corresponding period in 2005.

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, 2006 (2005 – HK0.25 cent).

HOTELS

In the first six months of 2006, there were a total of approximately 12.2 million visitor arrivals to Hong Kong, representing an increase of about 11.1% as compared with the same period last year. Benefiting from the Individual Visitor Scheme, visitors from mainland China also increased by about 14% to over 6.7 million, accounting for about 55% of the total visitors to Hong Kong during the period. Based on the information published by the Hong Kong Tourism Board, the average occupancy rate for all the surveyed hotels in Hong Kong during this six month period was about 86%, corresponding to an increase of about 3.6% over that recorded in the first half of 2005, while the average achieved room rate has over the same comparative period gained by about 16.2%.

Partly affected by the works being carried out at some of the hotels on renovation of rooms as well as for the asset enhancement programme as referred to below, the combined average room occupancy for the five Regal Hotels in Hong Kong during the

first six months under review was about 2.2% marginally below the level attained in the first half of 2005, but the combined average room rate has improved by 15.5%. While the Regal Airport Hotel is continuing to catch up on its room occupancy, the other four Regal Hotels in Hong Kong are operating steadily at a level of about 90%.

Total hotel profits (including management fees and rental income) for the period amounted to HK\$289.1 million, representing an increase of about 25.4% above the corresponding figure attained last year. Over the same comparative period, the gross operating profit margin of the Group's hotel operations in Hong Kong also improved from 45% in 2005 to 50% in the current year.

Extensive renovation and upgrading works have been carried out progressively at the five Regal Hotels in Hong Kong in recent years to enhance their quality and facilities, and these have enabled them to achieve increasing room rates without affecting market competitiveness. To cater to the growing business from the conventions and exhibitions market, particularly after the opening of the Asia World-Expo convention center at the Hong Kong International Airport in December last year, the Regal Airport Hotel has recently completed the conversion of a portion of the basement floor into an Executive Conference Center comprising 13 new state-of-the-art meeting and conference rooms as well as the renovation of 21 hotel rooms to be fitted with spa facilities.

The asset enhancement programme planned at four Regal Hotels in Hong Kong (other than Regal Kowloon Hotel) will add, in stages, an aggregate of 461 additional hotel rooms, boasting the total room count of the hotels owned by the Group in Hong Kong to over 3,800. The asset enhancement programme for the addition of 274 hotel rooms in Regal Riverside Hotel in the three additional floors to be added on top of the existing building structure is aimed to be completed before the holding of the Olympic Equestrian Events to be held in Shatin in July 2008, subject to agreement being able to be concluded with the government in the near future on the amount of applicable land premium payable. All the other portions of the asset enhancement programme are scheduled to be completed by the end of the third quarter of 2007.

The Group views the PRC market as critically important within its overall business development plans and intends to expand its hotel network to other selected cities in mainland China when appropriate opportunities arise.

PROPERTIES

The Group and Paliburg Holdings Limited each beneficially owns a 50% equity interest in a company which, in turn, holds a 59% interest in an investee company established in the PRC. The investee company has entered into the Land Grant Contracts for the Phase I land sites comprised in a comprehensive development project located at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, PRC and the related land premium payable under the Land Grant Contracts was fully settled in April 2006. The overall development project entails total permissible gross floor area of about 4,630,000 square feet, planned to comprise office, residential, hotel, commercial and carparking accommodations. While the requisite development and design plans are being revised, the investee company is actively working to secure its rights to the remaining land site comprised in the overall development project.

During the interim period under review, the Regalia Bay development in Stanley, Hong Kong contributed a profit of HK\$217.1 million (2005 – HK\$140.6 million) to the Group. Although the volume of transactions in the high-end luxury residential market in Hong Kong has slowed down recently, the Group remains optimistic of the future of this segment of the property market. Pending the revival of an active market, certain house units have in the meanwhile been leased out at satisfactory rental yield.

Subsequent to the half year end date, the Group disposed of in August 2006 its equity investments held in a listed company for an aggregate consideration of approximately HK\$195 million and the gain arising from such disposal will be reflected in the results for the full year ending December 31, 2006.

OUTLOOK

Business at the five Regal Hotels in Hong Kong continued to operate satisfactorily during the past two months. As the last quarter is traditionally the high season of the year, the Directors believe that the operating results of the Group's hotels in Hong Kong in the second half of 2006 should be even more encouraging than those achieved in the first six months under review.

The government is committed to maintaining Hong Kong as the most important hub and gateway in the region for both international as well as mainland Chinese travelers. Apart from the various major facilities that have been or are being built out in the airport area, such as the Asia World-Expo, the SkyMart and the passenger ferry terminal, the Airport Authority is planning to further upgrade and expand the Hong Kong International Airport, in anticipation of the steadily increasing passenger traffic at the airport. In addition, the government is actively co-ordinating on the construction of the Hong Kong-Zhuhai-Macau Bridge to link land traffic with Macau and the affluent Pearl River Delta area. In the meantime, to strengthen Hong Kong's position as one of the most popular tourist destinations in the region, many new tourist attractions will continue to be rolled out in Hong Kong, including the Tung Chung Cable Car, the Ocean Park redevelopment project and the Hong Kong Disneyland Phase 2.

“Overall, the Group is confident of the growing prospects of the tourist industry in Hong Kong and the Group's hotels are well poised to benefit from the resultant increase in the market demands in the local hotel sector. Apart from the internal expansion through the asset enhancement programme, the Group is looking to further develop its hotel network, both in hotel ownership as well as in hotel management contracts. To facilitate this planned business expansion, the Group has been actively working on the separate listing of a real estate investment trust involving its five Regal Hotels in Hong Kong.” said Mr. Y.S. Lo, Chairman and Managing Director of the Group.

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

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