

## 2007 RESULTS ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

	Year 2007	Year 2006	% Change
	HK\$'M	HK\$'M	
<b>Revenue</b>	<b>1,780.7</b>	1,261.2	<b>+41.2%</b>
<b>Operating profit</b>	<b>2,495.1</b>	414.5	<b>+502.0%</b>
<b>Profit for the year</b>	<b>2,957.3</b>	331.3	<b>+792.6%</b>
<b>Basic earnings per ordinary share</b>	<b>HK29.6 cents</b>	HK3.9 cents	<b>+659.0%</b>
<b>Proposed final dividend</b>	<b>HK1.0 cents</b>	HK0.60 cent	<b>+66.7%</b>
<b>Total regular dividends for the year</b>	<b>HK1.3cents</b>	HK0.85 cents <sup>#</sup>	<b>+52.9%</b>

<sup>#</sup> not including the special cash dividend of HK1.0 cent paid for the 2006 financial year

Press Release

27<sup>th</sup> March, 2008

For Immediate Release

## **Regal Group Announces 2007 Annual Results**

### **Ready for Dynamic Network Expansion**

Regal Hotels International Holdings Limited (stock code: 078) announced today the final results for the year ended 31<sup>st</sup> December, 2007.

#### **FINANCIAL RESULTS**

For the year ended 31<sup>st</sup> December, 2007, the Group achieved an audited consolidated profit attributable to shareholders of HK\$2,957.3 million, as compared with HK\$331.3 million attained in 2006.

The profit achieved in the year under review included a gain of HK\$2,293.5 million derived from the sale of the five Regal Hotels in Hong Kong to Regal Real Estate Investment Trust, as attributable to the 29.5% interest in Regal REIT effectively disposed of by the Group pursuant to the initial public offering of Regal REIT implemented in March 2007.

As at 31<sup>st</sup> December, 2007, the Group held approximately 71.7 % of the outstanding issued units of Regal REIT and Regal REIT is being equity-accounted for as an associate of the Group. Regal REIT attained an audited consolidated profit before distributions to unitholders of HK\$2,850.2 million for the period ended 31<sup>st</sup> December, 2007.

The interest held in Regal REIT represents the Group's most significant investment asset. Due to the elimination of the unrealised gain attributable to the interest retained by the Group in Regal REIT, the interest held in Regal REIT was only stated in the

consolidated balance sheet as at 31<sup>st</sup> December, 2007 at a net sum of HK\$788.9 million. If the interest held in Regal REIT were to be valued plainly based on the Group's attributable share of the underlying net assets of Regal REIT and reflecting the market valuation of the five Regal Hotels as at 31<sup>st</sup> December, 2007, the Group's investment in Regal REIT would have instead been stated at HK\$7,815.2 million.

Having regarded to the significantly higher underlying value of the Company's ordinary shares as compared with the market traded price, the Company has since August 2007 repurchased an aggregate of 296.8 million ordinary shares. The Company may undertake further share repurchases as the Directors may consider to be appropriate.

## **DIVIDEND**

In view of the satisfactory results achieved, the Directors have resolved to recommend the payment of a final dividend of HK1.0 cent (2006 – final dividend of HK0.6 cent and special cash dividend of HK1.0 cent) per ordinary share for the year ended 31st December, 2007. Together with the interim dividend of HK0.3 cent per ordinary share paid in October 2007 (2006 – HK0.25 cent), the total regular dividends per ordinary share for 2007 will amount to HK1.3 cents, representing an increase of about 53% as compared with the regular dividends of HK0.85 cent paid for 2006.

## **REVIEW OF OPERATIONS**

### **HOTELS**

#### **Hong Kong**

In 2007, Hong Kong received a new record high number of over 28 million visitors (+11.6%) and overall business for the hotel sector in Hong Kong remained strong. While the average room occupancy for all the hotels in different categories has marginally decreased to 86%, primarily because of the increased supply of new hotel rooms, the average achieved room rate has managed to grow by about 11.4%.

During the year under review, the five Regal Hotels in Hong Kong continued to perform well and, compared on a year on year basis, the combined average occupancy and the combined average room rate have improved by about 4.7% and 10.1%

respectively, resulting in a growth in the Revenue Per Available Room (RevPAR) of over 15%.

### **The People's Republic of China**

The Group adopts a multi-directional approach in the expansion of its hotel businesses in the PRC which, depending on individual circumstances and requirements, can be undertaken in the form of management services, management contracts with equity participation, acquisition as well as self-development, either on its own or through joint ventures.

On the hotel management front, the Group is presently managing two hotels in Shanghai, which are operating satisfactorily. Earlier this year, the Group entered into a letter of intent with Shanghai Jinfeng Investment Co. Ltd. for the Group's provision of hotel management services to a 400-room four star business hotel in Pudong, Shanghai, to be named as Regal Jinfeng Hotel and scheduled to start operation in the latter part of this year.

More recently, the Group entered into a memorandum of understanding with Nanjing based Jinling Hotels & Resorts for the formation of a strategic alliance between the two hotel groups. Jinling is one of the leading hotel management groups in the PRC and is managing 64 hotels in various cities in China. The strategic partnership will cover different facets of the hotel operations and is intended to create a platform for close co-operation between the two groups in the development of their respective hotel businesses.

## **PROPERTIES**

### **Regalia Bay, Stanley, Hong Kong**

The Group entered into a supplemental shareholders' agreement with its joint venture partner in late November last year, pursuant to which the Group was allocated 35 houses with a total gross area of about 162,200 square feet. Prior to the year end date, the Group has disposed of 4 allocated houses at satisfactory prices. The Group will continue to dispose of the remaining allocated houses if the prices offered are attractive

but may also in the meantime consider retaining some of the houses for long term rental purposes.

### **Development Project in the Central Business District of Beijing**

This development project is held through a Sino-foreign joint venture entity that is 59% owned by an associate which, in turn, is 50% each held by the Group and Paliburg Holdings Limited. The Sino-foreign joint venture entity has obtained in May 2007 the Land Use Right Certificates for the Phase I land site and is continuing to work on securing the development rights over the Phase II land site comprised within the development project. As compared with the carrying costs of the Group with respect to its interest in this development project, the present land value of this very prominent site in the CBD of Beijing has appreciated significantly.

### **Development Projects in Chengdu, Sichuan Province**

In October, 2007, the Group successfully acquired at a public land auction a prime development site in Xindu District, Chengdu, the provincial capital of Sichuan Province, at a land transfer consideration of RMB213.1 million.

The Group subsequently formed a 50/50 joint venture with Cosmopolitan International Holdings Limited for the development of this site in February 2008. This development is presently planned to compose of a five star hotel together with related commercial areas with a total gross floor area of about 185,000 square meters and residential accommodation with a total gross floor area of about 315,000 square meters. The construction works are expected to commence later this year and the project is targeted to be completed in stages from late 2009.

## **OUTLOOK**

The expanding international tourism and the continuing growth in the overall economy and affluence in the Mainland China will continue to be the main drivers of the tourist business in Hong Kong and outlook on this business sector in 2008 is very positive.

The Hong Kong Government has recently announced various tourism related proposals with a view to strengthening the competitiveness of the local tourism and hotel sector,

including the removal of the hotel accommodation tax, the exemption of the duties on wine and the plan to include land sites in the application list for Government land auctions that will be restricted to hotel use. Furthermore, the Government has lately also started the process to select the developer for the new cruise terminal in East Kowloon and, more importantly, has also made the commitment to proceed with the Hong Kong-Zhuhai-Macao Bridge project.

Amid some intense competition, Hong Kong has won the Best MICE (Meeting, Incentive, Convention and Exhibition) City Award in the 2008 Industry Awards organised by CEI Asia Pacific Magazine. The Hong Kong Government is also allocating additional resources to further promote the development of the MICE industry. The Group has over the past few years taken steps to enhance the facilities and services at the five Regal Hotels in Hong Kong to capture this growing high yield market.

In the first two months of 2008, RevPAR and Gross Operating Profits of the five Regal Hotels in Hong Kong both enjoying healthy growth over the comparable period in 2007. Because of the Beijing Olympics and with Hong Kong hosting the Olympic equestrian events, the five Regal Hotels in Hong Kong on the whole are expected to yield better results in 2008 than those attained in the year under review.

The Group is actively reviewing the list of potential hotel sites that are planned to be made available to the market for auction by the Hong Kong Government in the near future.

As concerning the current hotel expansion plans in Mainland China, the Group has been actively and seriously reviewing numerous hotel properties and potential projects. The Group is targeting principally on hotels ranging between 4 to 5 star in 1st tier gateway and 2nd tier cities. The Group aims to increase over a 5 years' time span, the number of hotels to be managed and/or owned by the Group in the PRC to more than 20, and it is expected that some of the hotels will be owned by Regal REIT. In the meantime, plans are being formulated to establish a separate mid-market line catering to hotels ranging between 3 to 4 star to be operated in the region.

“The Group is in a strong financial position and the progressive disposal of the remaining houses in Regalia Bay at increasing prices will contribute further significant profits and cash proceeds. However, in view of the sub-prime loan crisis in the United States, the Directors have taken the cautious view to conserve cash when considering dividend distributions and have also adopted a prudent approach in the course of pursuing the expansion plans under the present challenging environment. Overall, the Directors are very optimistic of the continuing growth and prosperity of the Group in the years to come.” concluded Mr YS Lo, Chairman & Chief Executive Officer of Regal Group.

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

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