

## 2008 INTERIM ANNOUNCEMENT

<b>FINANCIAL HIGHLIGHTS</b>	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30th June, 2008</b>	<b>30th June, 2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<b>Revenue</b>	<b>750.8</b>	<b>622.0</b>
<b>Operating profit</b>	<b>344.8</b>	<b>2,507.4*</b>
<b>Profit for the period</b>	<b>600.1</b>	<b>2,496.2*</b>
<b>Basic earnings per ordinary share</b>	<b>HK5.8 cents</b>	<b>HK26.3 cents</b>
<b>Interim dividend</b>	<b>HK0.3 cent</b>	<b>HK0.3 cent</b>
<b>Proforma net asset value</b>		
<b>per ordinary share<sup>^</sup></b>	<b>HK\$1.23</b>	<b>HK\$1.14</b>

\*included a one-off gain of HK\$2,320.4 million attributable to the disposal of the five hotel properties in Hong Kong to Regal REIT in conjunction with its separate listing in March 2007

<sup>^</sup>compiled on a proforma basis to adjust for the interest held in Regal REIT to reflect the share of the underlying net assets of Regal REIT attributable to the Group

**Press Release**

**10<sup>th</sup> September, 2008**

**For Immediate Release**

## **Regal Hotels Announces 2008 Interim Results**

Regal Hotels International Holdings Limited (stock code: 078) announced today the interim results for the period ended 30th June, 2008.

### **FINANCIAL RESULTS**

For the six months ended 30th June, 2008, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$600.1 million. In the comparative period in 2007, the Group recorded a profit of HK\$2,496.2 million which included a one-off gain of HK\$2,320.4 million attributable to the disposal by the Group of the five hotel properties in Hong Kong to Regal Real Estate Investment Trust in conjunction with its separate listing in March 2007.

After the spin-off of Regal REIT, the Group now primarily focuses on hotel operation and management businesses while Regal REIT is principally engaged in asset ownership. The income from hotel ownership is attributed to the Group through the interest held in Regal REIT and reflected in the Group's financial results under the share of profit of associates.

### **DIVIDEND**

The Directors have declared the payment of an interim dividend of HK0.3 cent per ordinary share for the financial year ending 31st December, 2008 (2007 – HK0.3 cent).

### **REVIEW OF OPERATIONS**

#### **HOTELS**

##### **Hong Kong**

During the period under review, the global economy as a whole has been adversely impacted by the financial turmoil that started off with the sub-prime loan crisis in the United States. The economy in Mainland China, to which the economy of Hong Kong is closely linked, has however continued to grow, although at a much more controlled

pace. Hong Kong has also continued to benefit from its position as a favoured travel and tourism destination as well as being the gateway to Mainland China. In the first half of 2008, total visitor arrivals to Hong Kong surpassed 14 million and recorded an overall growth of 8.9% over the same period in 2007. Considering that the tourism business in Hong Kong during this period has been affected by the slow-down in the economies of most major overseas markets, the catastrophes that occurred in China and the tightened visa restrictions imposed by the Chinese Government, the growth achieved in the visitor arrivals can be viewed as satisfactory.

Regarding the hotel industry in Hong Kong, the average hotel room occupancy rate for all hotels in different categories published by Tourism Research Hong Kong Tourism Board for this six-month period was 83%, the same level as that in the comparative period in 2007, while the average achieved hotel room rate has increased by 4.8%. The hotel room occupancy rate recorded was comparatively flat primarily due to an expanded supply of new hotel rooms in Hong Kong during the period.

The five Regal Hotels in Hong Kong have on the whole performed better than the industry average in relative terms in the six months under review and attained an increase of 9.7% in average room rate and 7.8% in RevPAR (Revenue per Available Room). These improvements reflect the successful execution of the internal growth strategy through pro-active asset management and the on-going efforts to reposition the hotels to capture higher yielding hotel market segments.

In the early part of 2008, Regal REIT commenced a HK\$85 million capital additions programme with the objective to enhance the competitiveness of the hotels. The projects under the programme included the conversion of available space in three of the hotels into conference and meeting areas, targeting towards the MICE (meetings, incentives, conventions and exhibitions) market which can, in turn, help generate additional room occupancy and higher room rates. Also included in the programme are the addition of three specialty restaurants at Regal Riverside Hotel in Shatin with direct street access and the upgrading of the façade of Regal Oriental Hotel in Kowloon City to give the property a new and fresh look. Construction works of the remaining part of the Asset Enhancement Programme relating to the construction, fitting out and decoration of three additional stories on top of the existing structure at Regal Riverside Hotel, comprising 274 additional hotel rooms, are well in progress.

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

Apart from the two managed hotels in Puxi, Shanghai, the Group is providing pre-opening consultancy services to a 380-room four star business hotel in Pudong,

which will be managed by the Group and named as Regal Jinfeng Hotel, scheduled to be opened in the first quarter of 2009.

In February this year, the Group entered into a Strategic Alliance Pact with Jinling Hotels & Resorts, one of the leading hotel management companies in China that presently manages 64 hotels in various cities in China. First of its kind in China, the strategic partnership between the Group and Jinling is aimed to create a multi-faceted co-operation that spans across sales and marketing, food and beverage, customer resources, human resources and training, corporate cultural exchange as well as promoting business development for both parties in China and overseas.

In recognition of its achievement in the hotel industry, the Group was awarded The Best Local Hotel Management Group of China of the 3rd Starlight Award of China Hotel 2007. Adopting a flexible and multi-directional approach, the Group will continue to actively seek expansion opportunities in the Mainland.

#### **REGAL REAL ESTATE INVESTMENT TRUST**

For the six months ended 30th June, 2008, Regal REIT attained an unaudited consolidated profit of HK\$278.3 million. Distributable income available for distribution to unitholders of Regal REIT amounted to HK\$247.4 million and, based on a policy of distributing 100% of the distributable income, a distribution of HK\$0.083 per unit will be paid to unitholders for the period ended 30th June, 2008.

As part of its principal businesses, the Group is providing through Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, asset management services to Regal REIT. REIT Manager's fees received for the period amounted to HK\$37.6 million, a major part of which was settled in the form of units of Regal REIT.

For 2008 interim results and further information on Regal REIT, please refer to Regal REIT's press release and full set of interim results announcement.

#### **PROPERTIES**

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

Over the past few months, the property market in Hong Kong has been relatively quiet due to the slow-down in the overall global economy and the depressed state of the local stock market. Though property prices in Hong Kong have remained relatively stable, transacted volume has contracted substantially as compared with the

year before. The Group is retaining beneficial ownership interest in 31 remaining houses in Regalia Bay, 16 of which are presently under leases. The Group is confident of the prospects of the property market in Hong Kong and, in particular, the luxury residential segment on account of the limited supply. While certain houses are intended to be retained for rental income, the Group will continue to sell some of the remaining houses if the offered prices are considered to be satisfactory.

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

This development project is situated in a very prominent location within the Central Business District of Beijing. The 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 beneficially owns the Phase I land, which is a vacant and leveled site, and is now actively working to secure the primary development rights for the Phase II land site comprised within the overall project.

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

This development project in Xindu District is operated through a joint venture that is 50% owned by each of the Group and Cosmopolitan International Holdings Limited. The site was acquired at a public land auction held in October 2007 and the land transfer consideration of RMB213.1 million has been fully settled in July 2008.

The project site is composed of two separate land parcels. One of the parcels is planned to be developed into a hotel and commercial complex with aggregate gross floor area of about 180,000 square meters above ground together with about 50,000 square meters of commercial, auxiliary services and car park areas below ground. The other parcel is planned for residential development with aggregate gross floor area of about 315,000 square meters. The Planning Permits for Construction Land for the proposed development have been obtained and detail planning works are in progress.

#### **OTHER INVESTMENTS**

Based on the interests held by the Group in the ordinary shares and convertible bonds of Cosmopolitan, the Group can hold up to approximately 26.5% of Cosmopolitan on a fully-diluted basis. The Group is positive on the long-term prospects on the real estate market in the PRC and believes that the strategic investments made in the Cosmopolitan group will enable the Group to share in its growth potential. On the other hand, this will also create a platform for future business collaboration between the two groups on the development projects undertaken by Cosmopolitan group, which can in turn facilitate the future business expansion of the Group.

## **PROPOSED SHARE CONSOLIDATION**

The Board has proposed a share consolidation on the basis that every 10 ordinary shares of HK\$0.01 each will be consolidated into one consolidated ordinary share of HK\$0.10.

## **OUTLOOK**

The holding of the Olympic Equestrian Events in Hong Kong has generated positive impact to the local hotel business and the Regal Riverside Hotel in Shatin particularly benefited. Given that the second half of the year is usually the busier time for the hotel industry in Hong Kong, it is anticipated that there will be continued improvement in the performance of the Regal Hotels in Hong Kong.

“While the outlook of the global economy in the near term might be uncertain, economic growth in the Mainland and Hong Kong is expected to sustain, albeit at a slower pace, which will continue to benefit the local tourism and hotel businesses. The Group as a whole has strong financial resources and management expertise, and is in a ready position to take advantage of the investment opportunities that may become available amid a period of increasing economic volatility.” said Mr. Y. S. Lo, Chairman and Chief Executive Officer 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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