

## 2010 INTERIM ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2010 (Unaudited) HK\$'M	Six months ended 30th June, 2009 (Unaudited) HK\$'M	% Change
Operating profit/(loss)	171.9	(105.5)	N/A
Profit for the period	385.3	147.2	162%
Basic earnings per ordinary share	HK38.2 cents	HK14.6 cents	162%
Interim dividend	HK2.5 cents	HK2.0 cents	25%
	As at 30th June, 2010 (Unaudited)	As at 31st December, 2009 (Unaudited)	
Adjusted net asset value per ordinary share	HK\$11.52	HK\$11.14	3.4%

- Unaudited consolidated profit for the period increased by about 162% over the corresponding period in 2009.
- Interim dividend for 2010 increased by 25% over the comparative amount in 2009.
- Aggregate net property income of the 5 Regal Hotels in Hong Kong for the period increased by 17% year-on-year.
- Performance of the Regal Hotels in Hong Kong in the second half of this year is expected to surpass that achieved in the first half.
- The Group's overall financial position is very strong with substantial cash resources and the Group is well-poised to capture any appropriate investment opportunities that may arise.

Press Release  
For Immediate Release

24th August, 2010

## **Regal Hotels Announces 2010 Interim Results**

Regal Hotels International Holdings Limited (stock code: 078) announced today its interim results for the six months ended 30th June, 2010.

### **FINANCIAL RESULTS**

For the six months ended 30th June, 2010, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$385.3 million, an increase of about 162% as compared to the profit of HK\$147.2 million recorded in the corresponding period in 2009. The increase in the profit achieved was largely attributable to the fair value gains on the financial assets and investment properties held by the Group.

For the purpose of reference, supplementary information on the net assets of the Group, compiled on an adjusted basis to more fairly reflect the underlying net assets attributable to the interests held by the Group in Regal Real Estate Investment Trust, is provided in the interim results announcement released today. **The adjusted net asset value per ordinary share is HK\$11.52.**

### **DIVIDEND**

The Directors have declared the payment of an interim dividend of HK2.5 cents per ordinary share for the financial year ending 31st December, 2010 (2009 – HK2.0 cents).

### **BUSINESS OVERVIEW**

#### **HOTELS**

During the period under review, total number of visitors to Hong Kong reached approximately 16.9 million, which represents an increase of 23% year-on-year and is a new record for visitor arrivals in the first half of a year. Though visitors from all major markets recorded growth, the increase in the number of travellers from China and the Asian region was most noticeable. Visitors from the Mainland alone during this period surpassed 10 million and accounted for over 62% of the total count.

Benefited by the surge in visitor arrivals, the hotel industry in Hong Kong performed rather satisfactorily in the period under review, particularly as compared with the relatively weak performance in the corresponding period last year. Due to the lack luster economic condition prevailing in the United States and Europe, businesses from the long haul markets are still being affected. This has negatively impacted on the performance of Regal Airport Hotel, as

its clientele has been principally targeted towards the individual travellers and long haul markets. Regal Airport Hotel has adjusted its business strategy to adapt to the changing demand profile, aiming to enhance its occupancy level and gross hotel revenue. Meanwhile, due to the temporary closure of some hotel rooms to accommodate the undertaking of upgrading works, the businesses at Regal Hongkong Hotel, Regal Kowloon Hotel and Regal Riverside Hotel have also been affected during the period under review. Nevertheless, the five Regal Hotels in Hong Kong have on the whole managed to achieve satisfactory performance in the first half of 2010, with aggregate net property income having increased by 17% as compared with that attained in the corresponding period last year.

As the lessee operator and hotel manager, the Group has procured continual upgrading of the five Regal Hotels in Hong Kong, ranging from hotel guestrooms and suites, executive floors, dining venues, ancillary facilities, to IT enabled operating systems. To supplement this product revamp programme, the Group has itself committed substantial capital and human resources to enhance its marketing platform and reservation network.

On the hotel management front, the next Regal managed hotel to come on stream will be the Regal Kangbo Hotel in Dezhou, Shandong. This 215-room five-star hotel is expected to be soft opened next month and will be the fifth hotel managed by the Group in China. The contract for the Group to provide management services to a hotel with service apartments offering a total of 282 units in Waigaoqiao Free Trade Zone in Pudong, Shanghai will soon be concluded and the property is scheduled to be soft opened within the next quarter under the name of Regal Plaza Hotel & Residence. Meanwhile, the Group is also conducting negotiations on a number of new hotel management contracts and it is anticipated that certain of these potential contracts would be finalised shortly.

The Regal iClub Hotel in Wanchai, which is 75%-owned by Regal REIT and 25%-owned by Paliburg Holdings Limited, is also managed by the Group. The hotel was opened in December 2009 and has been very well received. This chic and trendy business model has proven to be popular with business travellers and could well be the prototype for further expansion in other suitable locations.

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

As at the half year end date, the Group held 74.3% of the issued units of Regal REIT, which owns the five Regal Hotels in Hong Kong as well as the 75% interest in the Regal iClub Building in Wanchai.

For the six months ended 30th June, 2010, Regal REIT attained an unaudited consolidated net profit before distribution to its unitholders of approximately HK\$308.2 million, as compared to the profit of HK\$187.5 million recorded in the corresponding period in 2009. Distributable income available for distribution to unitholders of Regal REIT for the period amounted to approximately HK\$299.6 million, as compared with HK\$280.5 million for the comparative period last year.

For 2010 interim results and further information on Regal REIT, please refer to Regal REIT's press release and full set of interim results announcement.

### **REGAL PORTFOLIO MANAGEMENT LIMITED**

The wholly-owned Regal Portfolio Management Limited acts as the REIT Manager of Regal REIT and received fees for the period in an aggregate amount of HK\$34.3 million, a majority part of which was settled through the issue of new units by Regal REIT.

### **PROPERTIES**

The property market in Hong Kong during the period under review has been very active and buoyant, particularly in the residential sector. While the HKSAR Government has recently introduced measures to curb short term speculations in the presale of residential units, this should on the whole be beneficial to the development of a healthy and stable property market in the long run.

Apart from the 2 connected houses which have been contracted to be sold, the Group retains a total of 21 houses in the luxury residential development in Regalia Bay, Stanley, some of which are being held as investment properties. Based on the market valuations conducted as at the half year end date, the fair value gains attributable to those houses held as investment properties have been reflected in the interim results under review. Given the very limited supply, luxury properties in traditional high end residential areas will remain in great demand. The Group will continue to lease out some of the retained houses in Regalia Bay for rental income and will consider releasing certain houses for sale from time to time when the price offered is satisfactory.

In China, the development works at the composite development project in Chengdu, which is 50% owned by each of the Group and Cosmopolitan International Holdings Limited, are progressing. The marketing programme is still under review and the launching of the units presale for the first stage of the development project has been rescheduled to the first half of 2011.

### **OTHER INVESTMENTS**

Apart from the portfolio of listed securities, including the shares held in China Pacific Insurance (Group) Co., Ltd. previously acquired as one of the cornerstone investors, the Group holds for strategic purpose significant investments in Cosmopolitan, comprising principally convertible bonds issued by the Cosmopolitan group.

### **OUTLOOK**

Based on present forecasts, the performance of the Regal Hotels in Hong Kong in the second half of this year, which includes the traditional high season for the hotel industry, is expected to surpass that achieved in the first half. Looking further ahead on a broader scale, the further relaxation of travel restrictions on individual visitors from the Mainland, the development of Hong Kong as the Offshore Renminbi Centre and the continual integration of Hong Kong with the Pearl River Delta regions should help bring the tourist industry in Hong Kong to new

heights. Although global economies could still be volatile, the Group as a whole remains confident of the prospects of the hotel industry in Hong Kong.

The retained houses at Regalia Bay represent valuable investments with strong potential for capital appreciation in the long term. “The Group’s overall financial position is very solid with substantial cash resources and the Group is well-poised to capture any appropriate investment opportunities that may arise.” concluded 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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