

## ANNOUNCEMENT OF 2005 GROUP RESULTS

### FINANCIAL HIGHLIGHTS

	Year 2005	Year 2004	% Change
	HK\$'M	HK\$'M	
		(Restated)	
Revenue	1,141.1	1,050.6	+8.6%
Net hotel and management income	501.3	429.0	+16.9%
Operating profit before depreciation and amortisation	545.8	388.3	+40.6%
Depreciation and amortisation	131.5	130.4	+0.8%
Operating profit	414.3	257.9	+60.6%
Profit for the year attributable to the shareholders	528.4	367.9	+43.6%
Basic earnings per ordinary share	HK6.3 cents	HK4.5 cents	+40.0%
Proforma net asset value per ordinary share (based on market valuation of hotels)	HK\$1.47	HK\$0.85	+72.9%
Proposed Final Dividend	HK0.55 cent	HK0.5 cent	+10 %
Total Dividend	HK0.8 cent	HK0.5 cent	+60%

Press Release

April 18, 2006

For Immediate Release

**Regal Group Announces 2005 Annual Results**

**Solid Foundation for Hotel Major Expansion**

Regal Hotels International Holdings Limited (“the Regal Group”, stock code: 078) announced today the final results for the year ended December 31, 2005.

For the year ended December 31, 2005, the Group achieved an audited consolidated net profit attributable to shareholders of HK\$528.4 million, representing an increase of about 43.6% over the corresponding figure of HK\$367.9 million (as restated) attained in the 2004 financial year.

In view of the satisfactory results achieved, the Directors have resolved to recommend the payment of a final dividend of HK0.55 cent per ordinary share for the year ended December 31, 2005 (2004 - HK0.5 cent). Together with the interim dividend of HK0.25 cent per ordinary share paid in November 2005, total dividends per ordinary share for the year ended December 31, 2005 will amount to HK0.8 cent (2004 – HK0.5 cent), representing an increase of 60% over the total dividends paid for the 2004 financial year.

**HOTELS**

In 2005, Hong Kong received another new record number of over 23.3 million visitor arrivals, with the travel and tourism economy expected to contribute around 12.5% of Hong Kong’s Gross Domestic Product. During the year, visitors from Mainland China continued to increase by 2.4% to over 12.5 million, accounting for 53.7% of the total incoming visitors to Hong Kong. In the meantime, strong growth was recorded in the number of visitors from most major long haul markets including Europe, North America and Australia, who customarily have a higher proportion of spending on hotel

accommodation.

Benefiting from the increase in visitor arrivals, the hotel industry in Hong Kong on the whole continued to perform well. Although there was some short term pressure on overall hotel occupancy level on account of the opening of several new hotels, according to the report from the Hong Kong Tourism Board, the hotel room average occupancy rate for all hotels as a whole was still able to be maintained at 86% in 2005, albeit reflecting a modest decrease from 88% in 2004. However, the average achieved hotel room rate has over the same period increased significantly by 16.4%. These reported figures are indicative of the general inclination of most hotel operators in Hong Kong to be increasingly focused on the keeping up of the hotel room rate, now that the overall room occupancy has been steadily maintained at a satisfactory level despite the increased supply. Nevertheless, the current average room rate achieved by the hotels in Hong Kong as a whole is still substantially below its previous peak level during the mid-nineties and lags behind those prevailing in other major international cities.

During the year under review, the combined average room occupancy for the five Regal Hotels in Hong Kong was maintained at 81.6%, as compared with 83.9% in 2004, and if the Regal Airport Hotel was excluded, the combined average room occupancy for the other four Regal Hotels in Hong Kong would be 89.2%, maintaining very much the same level as that in 2004. In terms of the combined average achieved room rate for the five Regal Hotels as a whole, an increase of 13.5% was attained over that in 2004. The Regal Airport Hotel is still catching up on its occupancy level on account of its relatively large number of room count and its unique market position and location. With gross operating profit margin maintained at over 46%, the five hotels together generated total operating profits (including hotel net rental income) of just over HK\$500 million, representing an increase of more than 16% over that attained in 2004.

The Regal Airport Hotel has been rated “The Best Airport Hotel Asia-Pacific” by TTG Asia in 2005 and by Business Traveller Asia-Pacific for five consecutive years since 2001. To cater to the rising demand in meeting and conference businesses, a sizeable meeting and conference center comprising 13 new meeting rooms together with other ancillary facilities including a spa center are being added to this hotel.

To enhance the image and market recognition of the Regal brand, various upgrading and refurbishment works have been planned for the other four Regal Hotels in Hong Kong. These works are being implemented in stages, with the renovation of the hotel lobbies and food and beverage outlets as well as some of the guest rooms at the Regal Kowloon Hotel and the Regal Riverside Hotel having been substantially completed recently.

In order to maximize the utilisation of its hotel properties, the Group has started to embark on an asset enhancement programme which essentially entails the addition of a total of about 460 rooms to four Regal Hotels in Hong Kong (other than the Regal Kowloon Hotel), involving estimated total construction costs of about HK\$250 million. Certain parts of the asset enhancement programme have already been commenced and the entire programme is scheduled to be completed in stages from the fourth quarter of 2006 to the first half of 2008.

The two hotels in Shanghai managed by the Group contributed increased management fee income during the year. In view of the buoyant economic outlook in China, the Group has plans to extend the Regal Hotels' network to certain key Mainland cities and is working actively on a number of proposals involving hotel investments, leasing and/or management opportunities.

## **PROPERTIES**

### ***Regalia Bay, Stanley***

The property market in Hong Kong continued to consolidate in 2005 due to the rising interest rates. Transaction volume for the high-end residential properties has generally declined, but transacted price levels stayed relatively firm.

For the year under review, the Regalia Bay contributed to the Group a profit of HK\$128.5 million, inclusive of write back of provision. There are 38 houses with a total gross area of about 174,000 square feet remaining unsold, which are mostly of larger sizes and/or on better locations in the development. The Group plans to release these remaining houses for sale in stages when market activities revive.

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

On July 8, 2005, the Group entered into a Sale and Purchase Agreement with Paliburg Holdings Limited and certain of its wholly owned subsidiaries for the acquisition of a 50% equity interest in Hang Fok Properties Limited at a consideration of HK\$145 million. Hang Fok is principally engaged, through two investee companies established in the PRC, in the development of a property project at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, planned to comprise office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor area of about 4,630,000 square feet (or 430,000 square meters).

In February 2006, one of the investee companies (both currently 59% owned subsidiary companies of Hang Fok) has formally entered into Land Grant Contracts with the Beijing Municipal Administration of State Land and Resources in respect of certain portions of the original development site with total permissible gross floor area of 280,833 square meters encompassing office, commercial and residential uses at a total consideration of approximately RMB390.5 million. The investee companies are continuing with their efforts with a view to further securing their rights to the remaining portion of the original development site.

While the detailed development plans for this project are being finalised, it is anticipated that the overall development scheme will comprise office, commercial, residential and carparking accommodations, to be complemented with a deluxe hotel. The land portions granted under the Land Grant Contracts are substantially vacant sites and in view of the Beijing Olympics to be held in August 2008, the joint venture parties are planning to proceed with the development of these land portions as the first phase of the project as soon as practicable.

Having considered the entitlements of the land use rights granted to the investee companies under the Land Grant Contracts, the favourable market environment currently prevailing in Beijing and the relatively attractive opportunity for Regal to participate in this development project, the Group is confident that this development project will generate substantial profit to the Group.

## OUTLOOK

With the concerted efforts of the tourist industry working closely with the Hong Kong Government in the promotion of Hong Kong as a major international business and tourism hub, coupled with the positive outlook on economic growth worldwide and, more particularly, in Mainland China, the number of incoming visitors to Hong Kong is anticipated to further increase. Although it is expected that there will be some further supply of hotel rooms in Hong Kong, the additional supply will be relatively limited due to the high investment costs required on land acquisition and construction, and a large proportion of the new supply will be located in peripheral areas outside of the traditional business or tourist districts. Accordingly, it is widely perceived that the overall demand for hotel rooms in the foreseeable future should remain strong and room rates can expect to rise further.

Businesses at the five Regal Hotels in Hong Kong continued to perform well in the first quarter of 2006, with average room rate and gross operating profits both attaining an encouraging double-digit growth as compared with the corresponding period in 2005.

The Chek Lap Kok International Airport is embarking on a large expansion programme with the development of the vibrant Sky City. The first phase of the Sky City development includes the Asia World-Expo (an international exhibition centre), which was recently opened in December 2005, the Sky Plaza (an office and retail complex), the Sky Pier (a cross-boundary ferry terminal) and a 9-hole golf course. Moreover, apart from the Hong Kong Disneyland opened in September 2005, many other tourist attractions are also being rolled out in the Lantau Island, including the Ngong Ping 360 project with the Sky Rail cable car connecting to Tung Chung, scheduled to open in mid-June 2006. All these new developments and facilities will generate substantial additional demand for hotel rooms in this area from both business as well as leisure travelers and the Regal Airport Hotel is particularly well positioned to capture this growing market.

When the asset enhancement programme is fully completed, the total hotel room count of the five Regal Hotels in Hong Kong will increase by about 14% to boost an

aggregate of over 3,800 rooms. As the five Regal Hotels in Hong Kong are strategically positioned within the local hotel market to cater to different market segments in different localities, the Group anticipates that these hotels will be able to generate substantially increasing income.

Having regard to the increasing confidence maintained over the future economic growth of Hong Kong, transaction volume in the high-end residential properties should gradually increase when the interest rates are seen as topping off, and with the scarcity of new supply, outlook of the luxury residential property market remains positive. The net carrying value of the 38 remaining houses in Regalia Bay is still significantly below their prevailing market valuation. Substantial cash flow and profits will be derived when these houses are gradually sold.

Over the past years, it has been the trend for some major international hotel groups to reorganise and segregate their hotel ownership with their hotel operating and management businesses into separate entities. Having considered the benefits of such segregation and, in particular, the greater scope and flexibility that such segregation can bring to the continuing business expansion under two separate operating arms, the Group has been actively working with appointed investment banks on a proposal for the separate listing of a real estate investment trust involving its five Regal Hotels in Hong Kong.

“Overall, the Directors are confident that the Group will be able to achieve increasing profitability and business growth in the years ahead.” Mr. Y S Lo, Chairman and Managing Director of the Regal Group, concluded in the results announcement press conference.

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

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