

(Stock Code: 78)

2007 INTERIM ANNOUNCEMENT

Ready for Dynamic Network Expansion

FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)	% Change
	HK\$'M	HK\$'M	
Revenue	622.0	608.3	+2.3%
Operating profit	2,507.4	226.2	+1,008.5%
Profit for the period	2,496.2	310.8	+703.2%
Basic earnings per ordinary share	HK26.3 cents	HK3.7 cents	+610.8%
Interim dividend	HK0.3 cent	HK0.25 cent	+20.0%



Press Release

27th August, 2007

For Immediate Release

Regal Hotels Announces 2007 Interim Results

Ready for Dynamic Network Expansion

Regal Hotels International Holdings Limited (stock code: 078) announced today the interim results for the period ended 30th June, 2007.

FINANCIAL AND BUSINESS REVIEW

The 2007 financial year is a very fruitful year for the Group. The successful implementation of the separate listing of Regal Real Estate Investment Trust on the Main Board of The Stock Exchange of Hong Kong Limited in March 2007 marked a very important step for the Group in its overall business development. Through this spin-off process, substantial profits and significant new funds have been derived, establishing for the Group a solid platform for its continuing growth.

For the six months ended 30th June, 2007, the Group achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$ 2,496.2 million, which represented an increase of more than 7 times over the comparative profit of HK\$310.8 million attained in 2006.

Following the completion of the spin-off transactions on 30th March, 2007, the operating structure of the Group in respect of its hotel businesses has changed. Summarily, the five Regal Hotels in Hong Kong are now directly owned by Regal REIT but the Group continues to be the operator and manager of these hotel properties under the lease arrangements and hotel management agreements with Regal

REIT. Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, also acts as the asset manager of Regal REIT.

As at 30th June, 2007, Regal REIT was equity-accounted for by the Group as a 70.5% owned associate. A gain of HK\$ 2,320.4 million, as attributable to the 29.5% interest in Regal REIT effectively disposed of by the Group, was derived from the sale of the five hotel properties, which has been reflected in the profit achieved for the period under review.

Due to the elimination of the attributable unrealised gain, the interest in Regal REIT was stated in the Group's financial statements for the period under review only at a net sum of HK\$292.5 million. The interest in Regal REIT represented by far the most significant investment held by the Group and if it were to be valued plainly based on its attributable share of the underlying net assets of Regal REIT as at 30th June, 2007, the interest held in Regal REIT would have been stated at HK\$7,333.9 million instead. In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to reflect the share of the underlying net assets as attributable to the 70.5% interest held by Regal in Regal REIT as mentioned above, is provided in the interim results announcement.

During the period under review, market fundamentals in the travel and tourism sector in Hong Kong continued to be strong. Based on the information published by the Hong Kong Tourism Board, there were over 13 million visitor arrivals to Hong Kong during the first half year of 2007, representing an increase of about 6.8% as compared with last year. Over this same comparative period, the average room rate achieved by all the surveyed hotels in Hong Kong as a whole continued to improve; however, due to the enlarged hotel room inventory in Hong Kong and the increased percentage of same day visitors, the overall hotel room occupancy rate has slightly reduced from 86% last year to 83% in the first half of 2007.

The Regal Airport Hotel is catching up on its room occupancy, improving by about 13% year-on-year in the six months under review, while the other four Regal Hotels in Hong Kong have maintained an average room occupancy of about 87%. Overall for

the five Regal Hotels, the combined average room occupancy level was about 81%, reflecting an increase of about 1.5% as compared with the first half of 2006, while the combined average room rate was enhanced by about 3.7%.

Though the room occupancy at the Regal Oriental Hotel and the Regal Riverside Hotel during the period under review, and particularly in the second quarter, has been affected by the softening of demand from Mainland Chinese leisure groups, the recent strategy to replacing these price sensitive groups with other travel segments such as individual travelers and overseas groups is proving to be successful. The Group will continue to reposition the overall marketing strategy for the five Regal Hotels in Hong Kong to one that is more focused towards individual business and leisure travelers, overseas leisure groups and MICE (meeting, incentive, convention and exhibition) businesses, which is expected to produce positive future impact.

The Asset Enhancement Programme at the Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and the Regal Riverside Hotel that are scheduled for completion within this year have all been substantially completed and by the fourth quarter this year, an aggregate of 194 new hotel rooms will be ready for letting. As part of the agreement for the sale of the five Regal Hotels in Hong Kong to Regal REIT, the Group has undertaken to complete the Asset Enhancement Programme at its own cost.

Over 20 houses in Regalia Bay, the luxury residential development in Stanley, Hong Kong have been leased at progressively increased rental rates. The Group will continue to lease out the unsold houses unless the price offered by prospective purchasers is attractive. The Group is discussing with its joint venture partner for a division of the available houses between the two shareholders and based on the proposed arrangement being discussed, it is expected that the Group will have an allocation of 36 available houses with total gross floor area of about 166,000 square feet.

In January 2007, the Group entered into a letter of intent with Cosmopolitan International Holdings Limited to participate in a large scale development project in Shenyang City, Liaoning Province, the PRC, which is the subject of an overall

development cooperation framework agreement between the Cosmopolitan Group and the Shenyang Menrong Economic District. Further in May 2007, the Group subscribed for convertible bonds issued by the Cosmopolitan group in a principal amount of HK\$102.5 million, which are convertible into 500 million new shares of Cosmopolitan at an initial conversion price of HK\$0.205 per share. The fair value gain accruing to the Group's investment in these convertible bonds, based on the market price of the shares of Cosmopolitan as at 30th June, 2007, has been reflected in the results for the period under review. The Cosmopolitan group is working on a number of proposed large scale property development projects in the PRC. Through the investment in the Cosmopolitan group, the Group will be provided with opportunities to directly participate in the hotel and hospitality-related portions planned within certain of these large scale development projects, and indirectly to share in the profit potentials of such projects as would be enhanced by the Group's presence and contribution.

For 2007 interim results and further information on Regal REIT, please refer to Regal REIT's press release and full set of interim results announcement released today, which is also available for viewing at its website www.regalreit.com.

OUTLOOK

As the latter half of the year is traditionally the higher season, with the fourth quarter being the strongest for the hotel industry in Hong Kong, the five Regal Hotels are expected to achieve better performance than that attained in the first half year.

Following the spin-off of Regal REIT, the Group is staging its expansion plans in the hotel business sector in two directions, to be undertaken in parallel and on a complementary basis. Regal REIT will focus on the acquisition of hotel and hospitality-related properties and has the mission to build up its existing portfolio and to become a pre-eminent owner of four and five star hotels in Greater China. On the other front, the Group will primarily target on the expansion of the hotel management network as well as the acquisition and development of new hotel and hospitality-related projects, which in appropriate cases may potentially serve as an incubator for future acquisitions by Regal REIT.

The Group presently holds a substantial amount of cash resources and is free of any bank debt, and it is in a ready position to embark on the planned expansion programme.

Over the past months, the Group has been actively reviewing a vast number of proposals for the acquisition and/or joint venture of hotel projects in China. Some of these proposals have been identified as possible targets and certain of which are at a relatively more advanced stage of negotiation.

The Group is however conscious of the increasing volatility in the financial and capital markets over the recent period and is closely watching the rippling effects on the global economic conditions triggered off by the problems over the sub-prime loans in the United States. In view of the latest credit crunch seen in the international financial markets and taking into consideration the cash requirements for the planned expansion, the Directors have taken the prudent view of conserving cash in the Group. Although the total quantum of the interim dividend declared for 2007 is relatively modest, the amount of interim dividend per ordinary share nonetheless represented an increase of 20% over the comparative amount paid out for 2006.

“The Directors are confident that as the Group maintains a very strong financial position, the Group is now ready for dynamic network expansion and well-poised to take advantage of any attractive investment or other opportunities that may become available in the near future, which can serve to enhance long-term value to shareholders.” 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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