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CONNECTED TRANSACTION

The Directors of Regal announced that by the Letter of Intent, on 12th June, 2006, Cityability awarded to Chatwin, as the main contractor, the Main Contract for the construction and alteration works with respect to the addition of guest room floors and a new swimming pool at the Regal Hongkong Hotel.

The transaction under the Letter of Intent and the Main Contract constitutes a connected transaction for Regal pursuant to Rule 14A.13(1)(a) of the Listing Rules and is subject only to the reporting and announcement requirements pursuant to Rule 14A.32(1).

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THE LETTER OF INTENT

Date of the Transaction

12th June, 2006

Parties to the Transaction

Cityability, a wholly owned subsidiary of Regal, as the employer and Chatwin, a wholly owned subsidiary of the Paliburg Group, as the main contractor.

Cityability is a property holding company which owns the Regal Hongkong Hotel.

Chatwin is principally engaged in building construction.

Details of the Transaction

In order to maximize the utilisation of its hotel property, Cityability has decided to embark on an asset enhancement programme for the Regal Hongkong Hotel which essentially entails the alteration and addition of floor areas to provide for 50 new additional guestrooms and a new swimming pool on the top portion of the existing building. After completion of the enhancement programme, the room count of the Regal Hongkong Hotel will be increased from the existing number of 424 rooms to a total of 474 rooms. Chatwin is the construction arm of the Paliburg Group, which has extensive experience in the construction business in both public and private sectors. Chatwin had previously undertaken and completed the main contract works for the construction of the Regal Hongkong Hotel as well as the Regal Airport Hotel with over 1,100 guest rooms at Chek Lap Kok, Hong Kong developed by the Regal Group. The Letter of Intent for the Main Contract was awarded to Chatwin through a tender process.

Contract Period and Completion of Main Contract Works

The construction and alteration works under the Main Contract are expected to commence in June 2006 and scheduled to be completed by the second quarter of 2007.

Contract Sum

The contract sum for the construction and alteration works under the Main Contract is HK\$71,600,000. The contract sum was determined after commercial negotiations between the parties on an arm's length basis through a tender process and in consultation with an appointed quantity surveyor.

The contract sum is payable in stages according to the progress of the construction and alteration works under the Main Contract. The Regal Group expects that the payment of the contract sum under the Main Contract will be financed by its internal resources.

General

The Directors (including the independent non-executive directors) consider that the Main Contract has been entered into on normal commercial terms that are fair and reasonable and in the interests of the Regal Group and the shareholders of Regal as a whole.

The Regal Group is principally engaged in the businesses of hotel ownership and management, property development and investment and other investments.

The principal business activities of the Paliburg Group are property development and investment, construction and building related businesses and other investments.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Paliburg holds, through its wholly owned subsidiaries, approximately 45.59% shareholding interests in the issued ordinary share capital of Regal, and Chatwin is a wholly owned subsidiary of Paliburg. Chatwin is a connected person of Regal and the transaction under the

Letter of Intent and the Main Contract constitutes a connected transaction for Regal pursuant to Rule 14A.13(1)(a) of the Listing Rules. Pursuant to Rule 14A.32(1) of the Listing Rules, such transaction is subject only to the reporting and announcement requirements as set out therein.

DEFINITIONS

"Board"	the board of Directors of Regal
"Chatwin"	Chatwin Engineering Limited, a wholly owned subsidiary of Paliburg
"Cityability"	Cityability Limited, a wholly owned subsidiary of Regal and the owner of the Regal Hongkong Hotel
"Directors"	the directors of Regal
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Letter of Intent"	the Letter of Intent dated 6th June, 2006 issued by Cityability as the employer to Chatwin and accepted by Chatwin on 12th June, 2006 relating to the award of the Main Contract to Chatwin upon the principal terms as stipulated therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Contract"	the main contract for the construction and alteration works with respect to the addition of guest room floors and a new swimming pool at the Regal Hongkong Hotel entered into between Cityability and Chatwin on 12th June, 2006 pursuant to the Letter of Intent setting out the detailed terms and conditions of the employment of Chatwin as the main contractor
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"Paliburg Group"	Paliburg and its subsidiaries
"Regal"	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares and warrants of which are listed on the Stock Exchange
"Regal Group"	Regal and its subsidiaries
"Regal Hongkong Hotel"	the Regal Hongkong Hotel located at 88 Yee Wo Street, Causeway Bay, Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

BOARD OF DIRECTORS OF REGAL

As at the date of this announcement, the Board of Regal comprises the following members:

<i>Executive Directors:</i>	<i>Non-Executive Directors:</i>
Mr. LO Yuk Sui (Chairman and Managing Director)	Dr. Francis CHOI Chee Ming, J.P. (Vice Chairman)
Mr. Donald FAN Tung	Mr. Kai Ole RINGENSON
Mr. Jimmy LO Chun To	
Miss LO Po Man	<i>Independent Non-Executive Directors:</i>
Mr. Kenneth NG Kwai Kai	Ms. Alice KAN Lai Kuen
Ms. Belinda YEUNG Bik Yiu	Mr. NG Siu Chan Mr. WONG Chi Keung

By Order of the Board
Regal Hotels International Holdings Limited
Eliza Lam Sau Fun
Secretary

Hong Kong, 12th June, 2006