



IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO: FSD 21 of 2021 (NSJ)

**IN THE MATTER OF THE COMPANIES ACT (2021 REVISION)
AND IN THE MATTER OF THE REDUCTION OF THE SHARE CAPITAL OF REGENT
HOSPITALITY WORLDWIDE, INC.**

PETITION

TO THE GRAND COURT

THE HUMBLE PETITION OF Regent Hospitality Worldwide, Inc., of Maples Corporate Services Limited, P.O. Box 309 Uglan House, South Church Street, George Town Grand Cayman, KY1-1104, Cayman Islands (the "**Petitioner**" or the "**Company**") shows that:

The Company

1. The Company was registered with registration number 242426 on 22 June 2010 as an exempted company incorporated with limited liability under the Companies Act (as amended) (the "**Companies Act**"). Although incorporated in the Cayman Islands, the Company has been resident for tax purposes in the United Kingdom since 1 July 2018.
2. The principal activity of the Company is to hold certain intellectual property rights and to derive income from the use of that intellectual property by other parties, outside of Taiwan.
3. The objects for which the Company was established and for which the Company has full power and authority to carry out are:
 - (a) to hold and own the 'Regent Brands' and the 'Regent Trade Marks' as they exist from time to time and the 'Regent Brand System' (as such terms are defined in the amended and restated memorandum and articles of

association of the Company adopted by special resolution dated 1 July 2018 (the "**M&A**")), (together, the "**Owned IPs**");

- (b) to hold and own all legal entitlements attaching to the Owned IPs under the relevant law, and the right to license the Owned IPs to the counter party, Six Continents Limited (company number 00913450) ("**SCL**"), in accordance with the MBLA (as defined and further discussed at paragraph 7 below) and subject to restrictions contained in the M&A; and
- (c) any other objects for the Company which the Shareholders (as defined at paragraph 5 below) may determine by unanimous approval from time to time.

Share Capital and Shareholders of the Company

4. As at the date of this Petition, the authorised share capital of the Company is US\$16,260,000 consisting of 16,260,000 ordinary shares with a par value of US\$1.00 each. The issued and fully paid-up share capital of the Company is US\$16,210,000 consisting of 16,210,000 ordinary shares with a par value of US\$1.00 each. The Company has no preference shares in issue.
5. The current shareholders of the Company are:
 - (a) FIH Management Limited, a company incorporated in Hong Kong (company number 2631418) whose registered office is at 14th Floor, South China Building, 1-3 Wyndham Street Central, Hong Kong, Hong Kong which holds 7,942,900 ordinary shares in the Company ("**FIH**"); and
 - (b) InterContinental (PB) 3 Limited, a company incorporated in England and Wales (company number 6947603), whose registered office is at Broadwater Park, Denham, Buckinghamshire, UB9 5HR, which holds 8,267,100 ordinary shares in the Company ("**PB3**"),

(together, the "**Shareholders**").
6. On 1 July 2018, the Shareholders and the Company entered into a shareholders' agreement (the "**Shareholders' Agreement**") which, *inter alia*, contains a

mechanism by which the Shareholders agreed to receive dividends from the Company, as further set out below.

The Company's income and distribution of profit

7. The Company's only source of income is derived from a Master Brand Licence Agreement entered into between the Company, SCL and FIH¹ dated 1 July 2018 (the "**MBLA**"), under which the Company granted SCL an exclusive licence to licence and sub-licence the 'Regent Trade Marks' and 'Regent Brand System' globally (excluding Taiwan) in exchange for the payment of royalties by SCL to the Company (the "**MBLA Income**"). The MBLA Income results in profit to the Company, which is then distributed to the Shareholders by way of periodic dividend payments in line with the Shareholders' Agreement.
8. Clause 9 of the Shareholders' Agreement provides that the Company must distribute its profits within 10 business days of receipt of the MBLA Income, relevantly stating:

"9.1 ... the Company shall distribute to the Shareholders ... all of the Company's profits or any amount standing to the credit of its share premium account, lawfully available for distribution on a quarterly basis during each Financial Year, in each case no later than 10 Business Days of the Company's receipt of any payments made to it pursuant to the MBLA.

9.2 Save as may otherwise be agreed by the Shareholders, distribution of profits in accordance with this clause 9 shall be made in the following priority:

- a) first, to satisfy any interest due to FIH under clause 27.4 with respect to any payments of dividends if any;*

¹ FIH is a party to the MBLA solely for the purposes of enforcing its entitlements under certain of the clauses therein and is not considered a party to the MBLA agreement for any other purpose.

b) *second, to satisfy any amounts required after the Lock-In Period to repay any loans made pursuant to clause 2.4;*

c) *third, to the Shareholders, in proportion to their Equity Instrument Proportion."*

9. In accordance with the Shareholders' Agreement, the Company has declared and paid interim dividends in respect of the financial periods ending 30 September 2018, 31 March 2019, 30 June 2019, 30 September 2019, 31 March 2020, 30 June 2020 and 30 September 2020. The Company has not, however, declared and paid dividends in respect of profit received from the MBLA Income referable to the fourth quarter of 2018 or 2019.

The Company's Financial Position

10. According to the 31 December 2019 audited financial statements of the Company, the Company had a net asset position of US\$15,085,717 as at 31 December 2019. The Company therefore remains solvent.

Creditors

11. The Company's sole creditor is Her Majesty's Revenue and Customs ("HMRC") in the United Kingdom in respect of taxes attributable to the MBLA Income. As at the date of this Petition, the Company is indebted to HMRC for less than US\$10,000. This liability is to be paid by IHG pursuant to an agreement between it and HMRC as set out at paragraph 21 below.

Accumulated losses

12. According to its audited financial statements, the Company carries historic accumulated losses related to operating and administrative expenses, which amounted to US\$1,159,511 as at 31 December 2019 (the "**Accumulated Losses**"). The Accumulated Losses arose during a loss-making period the Company endured prior to a restructuring in June 2018 which resulted in the Company's current structure. At the time of that restructuring, the Company did

not have sufficient resources to offset operating expenses, including salaries and third party fees (i.e. the sums now representing the Accumulated Losses).

13. In circumstances where (a) the Company's only income stream is the MBLA Income, and (b) the profit from the MBLA Income must be distributed to the Shareholders pursuant to the Shareholders' Agreement as set out at paragraph 8 above, the Accumulated Losses will remain on the Company's books unless they are eliminated by way of capital restructuring. As set out at paragraph 9 above, the Company has not declared and paid dividends in respect of profit received from the MBLA referable to the fourth quarter of 2018 or 2019, which is due to the Accumulated Losses on the Company's balance sheet. The Company wishes to eliminate the Accumulated Losses now in order to remove them from the Company's balance sheet and provide the Company with certainty in declaring and paying fourth quarter dividends going forwards.

The Proposed Capital Reduction

14. In light of the above, the Company has proposed to undertake a capital reduction, which will result in the reduction of its issued share capital by US\$1,480,582 (the "**Proposed Capital Reduction**")².
15. The Petitioner confirms that the Proposed Capital Reduction:
 - (a) will not involve (i) an alteration or variation to the rights attached to the Company's shares; or (ii) a diminution of the liability of any shareholder in respect of the amounts unpaid on share capital; and
 - (b) there is only one class of shares affected by the Proposed Capital Reduction and there are only two Shareholders, who will both be treated equally and on the same terms under the Proposed Capital Reduction, as set out in the table at paragraph 25(b)(iii) below.

² The Company's accumulated losses as at 31 December 2018 was US\$1,480,582. It was at time that the Company decided it would undertake a capital reduction on a dollar-for-dollar basis against the contemporaneous value of the accumulated losses. The Company's accumulated losses have since reduced as a result of retained profits referable to Q4 2019 in the amount of US\$321,071, such that the current accumulated losses are currently US\$1,159,511, as set out above.

Purpose of the Proposed Capital Reduction

16. The directors are of the considered view that the Accumulated Losses should be eliminated from the Company's balance sheet, which will accordingly provide the Company with certainty, going forward, with respect to the payment of fourth-quarter dividends in accordance with the Shareholders' Agreement.
17. Accordingly, the directors have recommended and the Shareholders have determined that the Proposed Capital Reduction best serves the interests of the Company by utilising credit arising from the Proposed Capital Reduction to eliminate the Accumulated Losses from the Company's balance sheet.
18. For these reasons, the Proposed Capital Reduction has been developed, considered and approved by both the directors and Shareholders of the Company.

Form of Capital Reduction

19. The Proposed Capital Reduction involves the cancellation of 1,480,582 ordinary shares of US\$1.00 each, such that the issued share capital of the Company will be reduced from US\$16,210,000 consisting of 16,210,000 ordinary shares of US\$1.00 each to US\$14,729,418 consisting of 14,729,418 ordinary shares of US\$1.00 each. The Shareholders' respective shareholding will reduce proportionately as a result of such cancellation, as set out at paragraph 25(b)(iii) below. There will be no change the Company's authorised share capital, which will remain US\$16,260,000 consisting of 16,260,000 ordinary shares with a par value of US\$1.00 each.
20. The credit which arises as a result of the Proposed Capital Reduction will be applied against the Accumulated Losses so that the Accumulated Losses will be eliminated from the Company's balance sheet. The surplus credit which arises, in the sum of US\$321,071, will be declared as a dividend and paid out to the shareholders proportionate to their respective shareholding (as set out below)

Creditors of the Company

21. As set out at paragraph 11 above, HMRC is the Company's only creditor, and is owed a sum of less than US\$10,000. The Company has sufficient assets to ensure its ability to meet this and all estimated future tax liabilities.
22. Accordingly, the Company is solvent and has sufficient assets to meet its liabilities. The Company considers that the Proposed Capital Reduction will not affect or prejudice HMRC as the sole creditor of the Company.

Corporate approvals of the Company and the Shareholders

23. Article 61 of the M&A states that:

"The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law."

24. Article 1 of the M&A defines Special Resolution as follows:

"Special Resolution means a special resolution of the Company passed in accordance with the Companies Law, being a resolution:

(a) ...

(b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed."

25. By written resolutions of the directors dated on 14 January 2021, the directors of the Company resolved, *inter alia*, that the directors (i) send to the Shareholders a circular setting out the Proposed Capital Reduction and matters relevant thereto, and (ii) recommend the Proposed Capital Reduction to the Shareholders (the "**Directors' Resolutions**").

26. The Shareholders were provided with a copy of the Shareholders' Circular on 10 November 2020, and for good order, a copy of the same was provided to the Shareholders again when they were asked to consider and, if thought, pass the Shareholders' Resolution. The Shareholders' Circular provides details of, among other things (i) the Company's financial position and background to the Proposed Capital Reduction, (ii) the reasons for and the effect of the Proposed Capital Reduction, and (iii) the forecast balance sheet pre and post the Proposed Capital Reduction. The Shareholders' Circular recommended that the Shareholder approve:
- (a) the reduction of the Company's issued share capital by US\$1,480,582;
 - (b) the Shareholders' approval notice appended to the Shareholders' Circular;
 - (c) the passing of resolutions of the Shareholders approving the Proposed Capital Reduction; and
 - (d) the taking of such steps by the Company as are necessary or desirable to give effect to the Proposed Capital Reduction.
27. By written resolutions of the Shareholders dated 14 January 2021 (the "**Shareholders' Resolutions**"), the Shareholders resolved by special resolution that conditional upon (i) approval of the Proposed Capital Reduction by the Grand Court of the Cayman Islands (the "**Court**"), (ii) registration by the Registrar of Companies of the Cayman Islands (the "**RoC**") of the order of the Court confirming the Proposed Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act in respect of the Proposed Capital Reduction, and (iii) compliance with any condition as may be imposed by the Court in relation to the Proposed Capital Reduction:
- (a) the Proposed Capital Reduction be effected by cancelling 1,480,582 shares with par value of US\$1.00 each, such that the issued share capital of the Company would be reduced from US\$16,210,000 consisting of 16,210,000 shares with par value of US\$1.00 each to US\$14,729,418 consisting of 14,729,418 with par value of US\$1.00 each, with the

authorised share capital remaining as US\$16,260,000 divided into 16,260,000 shares with par value of US\$1.00 each;

- (b) upon completion of the Proposed Capital Reduction:
- (i) the credit which arises as a result of the Proposed Capital Reduction be applied to cancel the Accumulated Losses in its entirety;
 - (ii) the surplus credit which arises as a result of the Proposed Capital Reduction, in the sum of US\$321,071, be declared as a dividend and paid out to the Shareholders proportionate to their respective shareholding; and
 - (iii) the shareholding of both of the Shareholders reduce proportionately, such that their respective shareholdings will be as set out in the table below:

Name of Shareholder	Total number of shares held immediately prior to the Proposed Capital Reduction	Total number of shares held immediately following the Proposed Capital Reduction	Percentage Reduction
FIH Management Limited	7,942,900	7,217,414.82	0.90866243
InterContinental (PB) 3 Limited	8,267,100	7,512,003.18	0.90866243
Total	16,210,000	14,729,418	

28. The registered office of the Company will be instructed to file the Shareholders' Resolutions with the RoC on behalf of the Company confirming that the Shareholders have approved the Proposed Capital Reduction, and noting that the

Shareholders' Resolutions is conditional upon a court order approving the Proposed Capital Reduction and the order and minute appended to it are stamped by the RoC.

29. The form of the Minute proposed to be registered is as follows:

"The issued share capital of Regent Hospitality Worldwide, Inc. was, by virtue of a special resolution passed unanimously by all its shareholders, and with the sanction of an order of the Grand Court of the Cayman Islands dated [], reduced from US\$16,210,000 consisting of 16,210,000 shares of US\$1.00 each to US\$14,729,418 consisting of 14,729,418 shares of US\$1.00 each. The authorised share capital will remain at US\$16,260,000 divided into 16,260,000 shares with a par value of US\$1.00 each."*

YOUR PETITIONER THEREFORE HUMBL Y PRAYS THAT:

1. The Proposed Capital Reduction of the Company to be effected by the special resolution set forth in paragraph 27 of this Petition and the Minute set forth in paragraph 29 of this Petition be approved by the Court;
2. To this end, all necessary inquiries and directions may be made and given; and/or
3. Such other order may be made in the premises as the Court shall deem fit.

AND your Petitioner will ever pray etc

DATED this 22nd day of January 2021

Walkers

WALKERS

Attorneys at Law for the Petitioner

NOTE: It is not intended to serve this Petition on any person

This **PETITION** was presented by WALKERS of 190 Elgin Avenue, George Town, Grand Cayman KY1-9001, Cayman Islands, Attorneys at Law for the Petitioner whose address for service is that of its said Attorneys.

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town,
Grand Cayman on _____ at _____ am/pm.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Cayman at PO Box 495, Grand Cayman, KY1-1106, telephone no. 349 949 4296.