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CONNECTED TRANSACTION DEVELOPMENT CONSULTANCY SERVICES

DEVELOPMENT CONSULTANCY SERVICES

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LISTING RULES IMPLICATIONS

Capital Charm is a wholly-owned subsidiary of Regal while PDCL is a wholly-owned subsidiary of Paliburg, the controlling shareholder of Regal. PDCL is therefore a connected person of Regal and the transaction contemplated under the Appointment Letter constitutes a connected transaction for Regal under Chapter 14A of the Listing Rules.

Based on the maximum consultancy fee payable to PDCL under the Appointment Letter, as the applicable percentage ratios exceed 0.1% but are all less than 5%, the transaction contemplated under the Appointment Letter is exempt from independent shareholders' approval but is subject to the announcement requirements under Chapter 14A of the Listing Rules.

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Parties

- (i) Capital Charm, as the employer; and
- (ii) PDCL, as the development consultant

PDCL is principally engaged in the provision of property development consultancy services, comprising architectural, engineering, interior design and project management services for commercial, residential and hotel development projects. PDCL is a wholly-owned subsidiary of Paliburg, the controlling shareholder of Regal, and therefore is a connected person of Regal.

Scope of services

As the development consultant of the Hotel Project, PDCL shall provide architectural and interior design consultancy services, project management services, contract administration services and site supervision services for the Hotel Project including the following:

- (i) act as the authorized person, architect, interior designer and project manager of the Hotel Project;
- (ii) prepare general building plans, construction drawings, interior design drawings, progress reports and budget;
- (iii) submit necessary plans, reports and calculations to the Airport Authority, Buildings Department and other relevant authorities for approval;
- (iv) issue necessary tender documents, contract documents and drawings, including all necessary certificates, under the building contracts;
- (v) supervise the construction works and interior works periodically;
- (vi) co-ordinate the relevant consultants employed by Capital Charm; and
- (vii) assist in the procurement of relevant licences including hotel and restaurant licence.

Term

The consultancy services of PDCL shall be completed upon issuance of the final certificate of the superstructure main contract by the architect (following completion of the Hotel Project), which is expected to occur within 48 months from the date of the Appointment Letter, subject to early termination by either party with written notice of not less than one calendar month. In the event of early termination, PDCL shall be paid for consultancy services rendered up to the date of termination.

Consultancy fee

The consultancy fee payable by Capital Charm to PDCL shall be equal to (i) 3.35% of the Total Construction Costs of the Hotel Project, or (ii) HK\$70,800,000, whichever is lower. The consultancy fee will be payable in stages based on the progress of the Hotel Project according to the following schedule:

Description	Cumulative percentage of the consultancy fee payable in each stage
(i) Upon execution of the Appointment Letter	30%
(ii) Upon approval of general building plans by the Buildings Department	50%
(iii) Upon issue of tender documents of the superstructure main contract	70%
(iv) Upon commencement of the superstructure main contract	75%
(v) Upon completion of one-half of the superstructure main contract period	85%
(vi) Upon practical completion of the superstructure main contract	95%
(vii) Upon expiry of the defects liability period of the superstructure main contract	100%

The consultancy fee payable at each stage of payment is calculated based on the above cumulative percentage of the total consultancy fee (being 3.35% of the sum of the total actual construction costs incurred up to the relevant stage of payment and the total estimated construction costs to be incurred until completion of the Hotel Project, subject to the maximum fee of HK\$70,800,000 mentioned above) minus the fees previously paid.

The terms of appointment was determined after arm's length negotiations between the parties, taking into account the work scope including the architectural and interior design, the scale and complexity, duration and construction costs of the Hotel Project and with reference to the market professional fee scale.

INFORMATION ON THE HOTEL PROJECT

The Hotel Project, with a site area of approximately 6,650 square metres and permissible gross floor area of 33,700 square metres, is located at Site A1a of SKYCITY (Chek Lap Kok Lot No. 3) at Hong Kong International Airport. It is planned that the Hotel Project will be developed into a multi-storey hotel building providing about 1,200 guest rooms and suites, with ancillary facilities. The construction of the Hotel shall be completed within 60 months after the date of the Development Agreement and the Hotel shall be opened within 69 months after the date of the Development Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Regal, through its subsidiaries, is principally engaged in hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture with Paliburg in P&R Holdings and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing business and other investments including financial assets investments.

PDCL was previously engaged as the development consultant for other hotel projects developed by the Regal Group and the P&R Group. Regal considers that PDCL has the experience and expertise in providing the development consultancy services under the Appointment Letter. Having considered the terms of the Appointment Letter which are fair and reasonable and on normal commercial terms, the Regal Directors (including the independent non-executive directors) consider that it is in the interests of Regal and its shareholders as a whole to enter into the Appointment Letter to appoint PDCL as the development consultant for the Hotel Project and such appointment is in the ordinary and usual course of business of the Regal Group. Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai (all being executive directors of Regal) are executive directors of Paliburg while Mr. NG Siu Chan and Mr. WONG Chi Keung (both being independent non-executive directors of Regal) are independent non-executive directors of Paliburg. All of these Regal Directors have abstained from voting on the relevant board resolution relating to the Appointment Letter.

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DEFINITIONS

“Airport Authority”	the Airport Authority, a statutory body established and operating pursuant to the Airport Authority Ordinance (Chapter 483 of the Laws of Hong Kong)
“Appointment Letter”	the letter of appointment dated 29 November 2017 entered into between Capital Charm and PDCL under which PDCL was appointed as the development consultant for the Hotel Project upon the terms set out therein
“Buildings Department”	the Buildings Department of the Government of Hong Kong Special Administrative Region
“Capital Charm”	Capital Charm Holdings Limited, a wholly-owned subsidiary of Regal

“Development Agreement”	the agreement entered into between Capital Charm and the Airport Authority on 3 April 2017 in relation to the acquisition of the development right of the Hotel Project by Capital Charm under the tender awarded by the Airport Authority
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hotel”	the hotel to be developed in the Hotel Project
“Hotel Project”	the hotel development project on the site located at Site A1a of SKYCITY (Chek Lap Kok Lot No. 3) at Hong Kong International Airport and acquired by Capital Charm pursuant to the Development Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“P&R Group”	P&R Holdings and its subsidiaries
“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by a wholly-owned subsidiary of Paliburg and a wholly-owned subsidiary of Regal as to 50% and 50% respectively
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“PDCL”	Paliburg Development Consultants Limited, a wholly owned subsidiary of Paliburg
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Directors”	the directors of Regal
“Regal Group”	Regal and its subsidiaries
“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the SFO, the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Total Construction Costs”

the total costs of all works executed including temporary works, structures, finishes, furniture, fittings, equipment and installations designed or allowed for in the Hotel Project to enable full functioning or use or occupation of the hotel building under the Hotel Project but excluding all other professional fees, administration expenses, interest, financial cost, taxes, legal cost and land cost incurred by Capital Charm

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

Hong Kong, 29 November 2017

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

Executive directors:

Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Miss LO Po Man
(Vice Chairman and Managing Director)
Ms. Belinda YEUNG Bik Yiu
(Chief Operating Officer)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

Non-executive director:

Dr. Francis CHOI Chee Ming, GBS, JP
(Vice Chairman)

Independent non-executive directors:

Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Mr. NG Siu Chan
Mr. WONG Chi Keung