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ASIA STANDARD HOTEL GROUP LIMITED

泛海酒店集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 292)

PROPOSED CAPITAL REORGANISATION

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The Board proposes that the Company implements the Capital Reorganisation which will involve (a) a consolidation of every ten (10) Shares of HK\$0.02 each into one (1) Consolidated Share of HK\$0.20 each; (b) reduction in the issued share capital of the Company through a cancellation of the paid up capital of the Company to the extent of HK\$0.18 on each of the issued Consolidated Share such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.02; and (c) a subdivision of each authorised but unissued Consolidated Share into ten (10) Reorganised Shares of HK\$0.02 each. The credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws, such as distribution of contributed surplus to the Shareholders.

GENERAL

The SGM will be convened and held for the Shareholders to consider, and, if thought fit, pass the resolutions to approve the Capital Reorganisation. A circular containing further detail of the Capital Reorganisation and a notice convening the SGM will be despatched to the Shareholders as soon as possible.

PROPOSED CAPITAL REORGANISATION

The Board proposes that the Company implements the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Share Subdivision.

Share Consolidation

The Share Consolidation will involve the consolidation of every ten (10) Shares of HK\$0.02 each into one (1) Consolidated Share of HK\$0.20 each. As at the date of this announcement, the authorised share capital of the Company is HK\$700,000,000 divided into 35,000,000,000 Shares of HK\$0.02 each. Immediately after the Share Consolidation, the authorised share capital of the Company will be HK\$700,000,000 divided into 3,500,000,000 Consolidated Shares of HK\$0.20 each. As at the date of this announcement, there are 13,077,762,395 Shares of HK\$0.02 each in issue and fully paid. On the basis of such issued share capital, there will be 1,307,776,239 Consolidated Shares of HK\$0.20 each in issue once the Share Consolidation becomes effective. The Consolidated Shares will rank *pari passu* in all respects with each other.

Capital Reduction and Share Subdivision

The Capital Reduction of approximately HK\$235.4 million will involve a reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.18 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.02.

The Share Subdivision will involve the sub-division of each authorised but unissued Consolidated Share of HK\$0.20 each into ten (10) Reorganised Shares of HK\$0.02 each.

The credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws, such as distribution of contributed surplus to the Shareholders.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Companies Act) is conditional upon:

- (a) the passing of a special resolution by the Shareholders approving the Capital Reorganisation at the SGM;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Reorganised Shares in issue arising from the Capital Reorganisation;

- (c) the compliance with the requirements of section 46(2) of the Companies Act, including (i) publication of a notice in relation to the Capital Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reduction is to take effect; and (ii) that on the date on which the Capital Reduction is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and
- (d) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective on the next Business Day following the date of passing of the relevant resolution approving the Capital Reorganisation. The legal advisers to the Company as to Bermuda law have confirmed that, subject to the conditions of the Capital Reorganisation as set out above being satisfied, the Capital Reorganisation will be in compliance with the laws of Bermuda.

Effects of the Capital Reorganisation

As at the date of this announcement, the Company has:

- (a) Share Options entitling the holders thereof to subscribe for an aggregate of 790,000,000 Shares; and
- (b) Bonus Warrants entitling the holders thereof to subscribe for an aggregate of 2,494,308,000 Shares.

Subject to the Capital Reorganisation becoming unconditional, the subscription price and/or the number of Reorganised Shares to be issued under the Share Option Scheme and the subscription price of the Bonus Warrants may require adjustments in accordance with the terms and conditions of the Share Option Scheme and the instrument constituting the Bonus Warrants, respectively, and the Listing Rules. Should any such adjustments be required, the Company will arrange for such adjustments to be certified by an approved merchant bank or an independent financial adviser or auditors of the Company (as the case may be) in accordance with the terms and conditions of the Share Option Scheme and the instrument constituting the Bonus Warrants, respectively, and will publish a further announcement in this regard.

Based on the Company's existing authorised share capital of HK\$700,000,000, represented by 35,000,000,000 Shares of HK\$0.02 each and the existing issued share capital of HK\$261,555,247.90, represented by 13,077,762,395 Shares of HK\$0.02 each, upon completion of the Capital Reorganisation, the authorised share capital of

the Company will remain at HK\$700,000,000 represented by 35,000,000,000 Reorganised Shares of HK\$0.02 each, and the issued share capital will be HK\$26,155,524.79 represented by 1,307,776,239 Reorganised Shares of HK\$0.02 each. Immediately after the Capital Reorganisation becoming effective, the Reorganised Shares will be traded in board lots of 10,000 Reorganised Shares. Any fraction of Reorganised Shares arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company. The Reorganised Shares will rank *pari passu* in all respects with each other.

The effect of the Capital Reorganisation is summarised below:

	Prior to the Capital Reorganisation	Immediately following the Capital Reorganisation becoming effective (Note)
Nominal value of each Share/ Reorganised Share	HK\$0.02	HK\$0.02
Number of authorised Shares/ Reorganised Shares	35,000,000,000	35,000,000,000
Authorised share capital	HK\$700,000,000	HK\$700,000,000
Number of Shares/Reorganised Shares in issue	13,077,762,395	1,307,776,239
Issued and fully paid-up share capital	HK\$261,555,247.90	HK\$26,155,524.79

Note: The issued share capital immediately after the Capital Reorganisation becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the date of this announcement and the date of the SGM.

Based on 13,077,762,395 Shares in issue as at the date of this announcement, a credit of approximately HK\$235.4 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of the Company.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and the Board believes that on

the date the Capital Reorganisation is to be effected, there will be no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

In order to alleviate the difficulties arising from the existence of odd lots of Reorganised Shares arising from the Capital Reorganisation, the Company will appoint an agent, Taifook Securities Company Limited, to stand in the market to provide matching services for the odd lots of Reorganised Shares. Shareholders should note that successful matching of the sale and purchase of odd lots of the Reorganised Shares would be made on a best effort basis but would not be guaranteed. Further details in respect of the odd lots arrangement and the free exchange of new share certificates will be set out in the circular to be despatched by the Company to the Shareholders.

Reasons for the Capital Reorganisation

Given that the Capital Reorganisation will (a) increase the trading price per board lot and hence reduce the overall transaction and handling costs for dealing in the Reorganised Shares; and (b) result in a smaller number of Reorganised Shares and hence reduce the operating costs of the Company, the Directors are of the view that the Capital Reorganisation is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Reorganised Shares arising from the Capital Reorganisation.

The Reorganised Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Reorganised Shares on the Stock Exchange, the Reorganised Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reorganised

Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for Shares to the Registrar from Wednesday, 9 September 2009 to Friday, 16 October 2009 (both dates inclusive) to exchange, at the expense of the Company, for certificates for the Reorganised Shares in board lot of 10,000 Reorganised Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Shares cancelled or each new share certificate issued for the Reorganised Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for the Shares will continue to be good evidence of legal title but will no longer be valid for dealings, trading and settlement purposes after the Capital Reorganisation has become effective, and may be exchanged for certificates for the Reorganised Shares at any time in accordance with the foregoing.

Expected timetable for the Capital Reorganisation

The expected timetable for implementation of the Capital Reorganisation and the associated trading arrangements are set out below:

2009

Despatch of circulars and proxy forms in relation to the SGM to the Shareholders	Tuesday, 18 August
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Sunday, 6 September
SGM	10:00 a.m. on Tuesday, 8 September
Expected effective date of the Capital Reorganisation ...	Wednesday, 9 September
Dealings in Reorganised Shares commence	Wednesday, 9 September

Temporary close of original counter for trading
in Shares (represented by existing share certificates)
in board lot of 10,000 Shares 9:30 a.m. on
Wednesday, 9 September

Temporary counter for trading in Reorganised Shares
(represented by existing share certificates)
in board lot of 1,000 Reorganised Shares opens 9:30 a.m. on
Wednesday, 9 September

First day of free exchange of existing share certificates
for new share certificates for the Reorganised Shares .. Wednesday, 9 September

Original counter for trading in Reorganised Shares
(represented by new share certificates)
in board lot of 10,000 Reorganised Shares reopens 9:30 a.m. on
Wednesday, 23 September

Parallel trading in Reorganised Shares (in the form of
new and existing certificates) commences9:30 a.m. on
Wednesday, 23 September

Designated agent to stand in the market
to provide matching service to facilitate
the odd lots trading commences9:30 a.m. on
Wednesday, 23 September

Closure of temporary counter for trading in Reorganised Shares
(represented by existing share certificates) in board lot of
1,000 Reorganised Shares4:00 p.m. on
Wednesday, 14 October

Designated agent to stand in the market to
provide matching services ends4:00 p.m. on
Wednesday, 14 October

Parallel trading in Reorganised Shares (in the form
of new and existing certificates) ends4:00 p.m. on
Wednesday, 14 October

Last day for free exchange of existing share certificates
for new share certificates for Reorganised Shares Friday, 16 October

GENERAL

The SGM will be held for the Shareholders to consider and, if thought fit, pass the resolution to approve the Capital Reorganisation.

A circular containing, among other things, further details of the Capital Reorganisation and a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

Unless otherwise defined, capitalized terms used in this announcement shall have the following meanings:-

“Board”	the board of Directors;
“Bonus Warrants”	the warrants issued by the Company on 7 September 2007 entitling the holders thereof to subscribe, at any time from the date of issue and the date immediately preceding the date falling on the third anniversary of the date of issue, for fully paid Shares at the adjusted subscription price of HK\$0.052 per Share;
“Business Day(s)”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong throughout their normal business hours;
“Bye-Laws”	the bye-laws of the Company from time to time;
“Capital Reduction”	the proposed reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.18 on each of the issued Consolidated Share such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.02;
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving, <i>inter alia</i> , the Share Consolidation, the Capital Reduction and the Share Subdivision, details of which are set out in the section entitled “Proposed Capital Reorganisation” in this announcement;
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited;

“Companies Act”	the Companies Act 1981 of Bermuda (as amended);
“Company”	Asia Standard Hotel Group Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Consolidated Share(s)”	ordinary share(s) of HK\$0.2 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction and the Share Subdivision;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HKSCC”	the Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Registrar”	Computershare Hong Kong Investor Services Limited;
“Reorganised Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective;
“SGM”	the special general meeting of the Company to be convened and held on 8 September 2009 at 10:00 a.m. (or immediately after the annual general meeting of the Company, whichever is later) for the Shareholders to consider and, if thought fit, pass the resolution to approve the Capital Reorganisation;
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company prior to the Capital Reorganisation;
“Share Consolidation”	the proposed consolidation of every ten (10) Shares of HK\$0.02 each into one (1) Consolidated Share of HK\$0.20 each;
“Share Options”	the share options granted under the Share Option Scheme;

“Share Option Scheme”	the share option scheme of the Company adopted on 28 August 2006;
“Share Subdivision”	the proposed subdivision of each authorised but unissued Consolidated Share of HK\$0.20 each into ten (10) Reorganised Shares of HK\$0.02 each;
“Shareholder(s)”	holder(s) of the Share(s) or Reorganised Share(s) (as the case may be);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

By order of the Board of
Asia Standard Hotel Group Limited
Lim Yin Cheng
Deputy Chairman

Hong Kong, 10 July 2009

As at the date of this announcement, the Executive Directors of the Company are Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Fung Siu To, Clement, Mr. Poon Tin Sau, Robert and Mr. Woo Wei Chun, Joseph and the Independent Non-executive Directors are Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming.

** for identification purpose only*