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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 BONUS ISSUE OF SHARES TO FULFIL THE PUBLIC FLOAT REQUIREMENT

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Financial adviser to the Company

In order to fulfil the public float requirement as required under the Listing Rules, the Board proposed to make a bonus issue of new Shares, credited as fully-paid, on the basis of two (2) Bonus Share for one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date. Each Shareholder will be given the option to elect to receive the Convertible Notes in lieu of all (but not part of) the Shareholder’s entitlement to the Bonus Shares. The price of per Share on an ex-entitlement basis would be

HK\$0.453 based on the closing price of HK\$1.358 per Share as at the date of this announcement. The Convertible Notes which carry no voting rights at general meetings of Shareholders, will be unlisted, and will have conversion rights entitling the Noteholder to convert into an equivalent number of Shares as the number of Bonus Shares which the Noteholder would otherwise be entitled to receive under the Bonus Issue had the Shareholder not elected for the Convertible Notes. In the absence of such election, a Shareholder will receive Bonus Shares under the Bonus Issue.

The proposed Bonus Issue is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares and the Shares to be issued upon conversion of the Convertible Notes.

As at the date of this announcement, ASI and AO beneficially own a total of 1,346,158,049 Shares in aggregate, representing approximately 85.72% of the issued share capital of the Company. ASI and AO have confirmed to the Company that they or/and their wholly owned subsidiaries, as the case may be, will elect to receive the Convertible Notes in lieu of the Bonus Shares in respect of all the Shares registered in the names of the ASI, AO or/and their wholly owned subsidiaries on the Record Date, in order to facilitate the Company to comply with the Listing Rules, which require that not less than 25% of the Shares in issue should be held by the public.

A circular containing, among other things, details of the Bonus Issue together with a form of election will be despatched to the Shareholders as soon as practicable on or before Wednesday, 25 January 2017.

The Board recommends all public Shareholders NOT to elect to receive the Convertible Notes which carry no voting rights at general meetings of Shareholders and will be unlisted with no readily available market to trade unless converted into Shares.

Proposed Bonus Issue of Shares

In order to fulfil the public float requirement as required under the Listing Rules, the Board proposed to make a bonus issue of new Shares, credited as fully-paid, on the basis of two (2) Bonus Share for every one (1) Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date. Each Shareholder will be given the option to elect to receive the Convertible Notes in lieu of all (but not part of) the Shareholder's entitlement to the Bonus Shares. The price of per Share on an ex-entitlement basis would be HK\$0.453 based on the closing price of HK\$1.358 per Share as at the date of this announcement. The Convertible

Notes which carry no voting rights at general meetings of Shareholders, will be unlisted, and will have conversion rights entitling the Noteholder to convert into an equivalent number of Shares as the number of Bonus Shares which the Noteholder would otherwise be entitled to receive under the Bonus Issue had the Shareholder not elected for the Convertible Notes. In the absence of such election, a Shareholder will receive Bonus Shares under the Bonus Issue. As at the date of this announcement, the number of Shares in issue was 1,570,386,829 and accordingly the Bonus Issue would give rise to the issue 3,140,773,658 Bonus Shares in the absence of any Shareholder electing to receive the Convertible Notes in lieu of the Bonus Shares. In order to facilitate the Company to comply with the public float requirement under the Listing Rules, which require that not less than 25% of the issued share capital of the Company is held by the public, ASI and AO have confirmed to the Company, they or/and their wholly owned subsidiaries, as the case may be, will elect to receive the Convertible Notes in lieu of the Bonus Shares in respect of all the Shares registered in the names of the ASI, AO or/and their wholly owned subsidiaries on the Record Date.

Set out below is the shareholding structure of the Company as at the date of this announcement and upon completion of the Bonus Issue (assuming that no public Shareholders will elect to receive the Convertible Notes in lieu of the Bonus Shares).

	As at the date of this announcement		Immediately after completion of the Bonus Issue	
	No. of Shares	Shareholding percentage (approx.)	No. of Shares	Shareholding percentage (approx.)
AO (<i>Note</i>)	1,346,158,049	85.721%	1,346,158,049	66.679%
Mr. Poon	50,830	0.003%	152,490	0.007%
Public Shareholders	224,177,950	14.276%	672,533,850	33.314%
Total	<u>1,570,386,829</u>	<u>100%</u>	<u>2,018,844,389</u>	<u>100%</u>

Note:

AO and its subsidiaries together held more than one-half of the issued shares of ASI and are deemed to be interested in and duplicate the interest held by ASI. The number of Shares held by ASI as at the date of this announcement is 1,298,709,227, after the completion of the Bonus Issue, assuming if only AO and ASI elect the Convertible Notes, ASI will hold approximately 64.329% of total issued Shares of the Company.

The Board may resolve to implement the Bonus Issue by way of capitalization issue of the Bonus Shares and the Convertible Notes by using the amount standing to the credit of the Company's reserves accounts and to apply such amount to pay up in full the Bonus Shares and the Convertible Notes to be issued under the Bonus Issue. No Shareholders' approval is required for the Company's implementation of the Bonus Issue as the Bonus Shares will be allotted to Qualifying Shareholders in proportion to their shareholdings. The total amount to be capitalised from the share premium, contributed surplus and revenue reserve accounts of the Company for the purpose of the Bonus Issue and/or the issue of new Shares upon conversion of all the Convertible Notes will be approximately HK\$1,445 million. As at the date of this announcement, the Company had in its share premium account, contributed surplus account and revenue reserve account amounting to approximately HK\$3,358 million in total.

Conditions of the Proposed Bonus Issue

The proposed Bonus Issue is conditional upon, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares and the Shares to be issued upon conversion of the Convertible Note.

Principal terms of the Convertible Note

The principal terms of the Convertible Note are set out below:

Number to be issued	Up to 3,140,773,658 Notes ¹
Maturity	Any Notes outstanding at the thirtieth anniversary of their issue will be redeemed at the redemption value
Early redemption	All Notes not converted prior to the Maturity Date have to be redeemed on the Maturity Date Prior to the Maturity Date, the Company may compulsorily redeem the remaining Notes if at least ninety (90) per cent of the Notes originally issued pursuant to the Deed Poll have been converted
Redemption value	HK\$0.453 per Note ² , being the face value of the Note

Conversion Ratio	Subject to any adjustments contemplated in the Deed Poll, each Note is convertible into 1 (one) Share
Adjustment to Conversion Ratio	If, between the issue date and the maturity date of the Notes, certain corporate actions are taken by the Company, the Conversion Ratio will be adjusted by the Company to take into consideration the effects of such corporate actions. Such corporate actions include consolidation or subdivision of Shares, issue of Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves; issue of Shares or of any options, warrants or other rights to subscribe for or purchase of any Shares at a price per Share which is less than 90% of the then market price, capital distribution, rights issue of Shares and the like
Other rights	<p> Holders of the Notes have no right to participate in any future rights issue, open offer or bonus issue made to the Shareholders</p> <p> Adjustment will be made to the conversion ratio in respect of certain corporate actions as disclosed above</p>
Conversion period	At any time commencing on the first business day (which must be a day on which the Stock Exchange is open for business) (the “Stock Exchange Business Day”) immediately following the issue of the Convertible Notes up to and including the date falling the 10th Business Day prior to the Maturity Date and if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding such date
Limit to conversion	No conversions will be permitted if they were to result in the public float as defined by the Stock Exchange Listing Rules falling below the prescribed percentage except in the case of delisting

Coupon

The coupon on the Convertible Notes will bear interest at a rate of 0.1% per annum on the redemption value of the Convertible Notes payable at the same time as the payment of the final dividend on the Shares or the last business day in October of each year, whichever is the earlier date. Where a final dividend on the Shares has not been declared and paid, the 0.1% coupon will be deferred until the next dividend payment and the accumulated deferred coupon would be paid on maturity date. Convertible Note shall confer on its holders the right to receive any dividend pari passu with holders of the Shares (on an as converted basis) by way of a coupon payment. Such coupon payment to the Noteholder shall be the dividend payment to the holders of the Shares less the 0.1% coupon paid on the Convertible Notes for that period and any previous period where the coupon had been deferred. In the case that dividend payment was declared which amount to less than the 0.1% coupon, the coupon payment shall be equal to the dividend amount and the excess amount up to 0.1% will be deferred. In any event, all accumulated deferred coupon payments would be paid at maturity

Subordination

The Convertible Notes will be an unsecured obligation of the Company

Default

The Convertible Note shall default in the event of the Company fails to pay interest or to redeem the Convertible Notes

Transferability

The Convertible Notes are freely transferrable

Listing

No listing will be sought for the Convertible Notes

Notes:

1. The maximum number of Notes to be issued is equivalent to the maximum number of Bonus Shares issuable under the Bonus Issue.
2. The Redemption Value is calculated by reference to the fully diluted value based on the last traded price for the Shares of the Company and adjusted for both the bonus of shares and the issue of shares falling to be issued on the conversion of the Convertible Notes. Based on the present calculations, an amount of HK\$1,238 million at issuance will be capitalised.

Status of the Bonus Shares and Shares issuable upon conversion of the Convertible Notes

The Bonus Shares and the Shares which may fall to be allotted and issued on conversion of the Convertible Notes will rank pari passu in all respects with the Shares then in issue on the date of such allotment and issue.

Reasons for the Proposed Bonus Issue

The Board considered a number of options to fulfil the new public float requirement and concluded that the current proposal is in the interests of the Shareholders. The Board does not expect that public Shareholders will elect to receive the Convertible Notes which carry no voting rights at general meetings of Shareholders, and will be unlisted.

If there is insufficient public Shareholders to elect to receive the Bonus Shares, there will be insufficient public float of the Company upon completion of the Bonus Issue and the trading of the Shares will remain suspended. The Company will evaluate the then situation, including the amount of shortfall in the minimum public float, and contemplate additional measures, including but not limited to a possible placing of new shares, to address the shortfall in the minimum public float as soon as practicable for the best interest of the Company and its Shareholders as a whole.

Advice and Recommendation from the Financial Adviser

The Board has engaged Anglo Chinese to advise it on addressing the public float requirement under the Listing Rules, which requires that not less than 25% of the issued share capital of the Company has to be held by the public. Anglo Chinese has advised that the proposed Bonus Issue has the following advantages:

- i. it preserves the equity interest of all Shareholders who receive the Bonus Shares, and in the case of the ASI, AO and any other Shareholders electing to receive the Convertible Notes, their equity interest would be preserved upon conversion of the Convertible Notes;
- ii. all Shareholders will be treated equally;
- iii. no capital raising will be required, which would potentially incur significant expenses and may have dilutive effects on existing Shareholders; and
- iv. it will not be subject to or dependent on market conditions.

Anglo Chinese has advised the Board that it should recommend all public Shareholders NOT to elect to receive the Convertible Notes as they will be unlisted with no readily available market to trade unless converted into Shares. The Convertible Notes cannot be readily realised other than by converting them into Shares and subsequently selling them.

ASI and AO have confirmed that they and/or their wholly owned subsidiaries, as the case may be, will elect to receive the Convertible Notes. ASI, AO or/and their wholly owned subsidiaries will still remain controlling shareholders of the Company by holding at least 66.679% of the issued share capital of the Company following the Bonus Issue. ASI and AO can thereafter take a different view on holding part of their interest in the Company in the form of Convertible Note. They will still have considerable flexibility in being able to trade part of their current shareholdings, should they so wish, before reducing their shareholdings in the Company to 50% or less.

No benefit is being conferred on the ASI through their election for the Convertible Notes. ASI has only agreed to procure its subsidiaries to elect for the Convertible Notes in order to facilitate the Company's fulfilment of the public float requirement as required under the Listing Rules.

Anglo Chinese has advised the Directors to recommend that all public Shareholders NOT to elect to receive the Convertible Notes as doing so will not be in their interests and will defeat the sole objective of the Bonus Issue proposal for the Company to fulfil the public float requirement as required under the Listing Rules.

Recommendation from the Board

The Board therefore recommends that all public Shareholders NOT to elect to receive the Convertible Notes as the Convertible Notes carry no voting rights at general meetings of Shareholders and will be unlisted. There is therefore no benefit to the public Shareholders holding the Convertible Notes. Furthermore, public Shareholders electing to receive the Convertible Notes may jeopardise the objective of the Bonus Issue proposal for the Company to meet the public float requirement under the Listing Rules.

No action needs to be taken by Shareholders who wish to receive Bonus Shares. Shareholders will only receive Convertible Notes if they make an election to receive Convertible Notes under an election form which will be despatched to the Shareholders together with a circular containing, among other things, details of the Bonus Issue on or about Wednesday, 25 January 2017.

Closure of Register of Members

The register of members of the Company will be closed from **Wednesday, 25 January 2017 to Friday, 27 January 2017**, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed Bonus Issue, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops no. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on **Tuesday, 24 January 2017**.

Overseas Shareholders

If as at the close of business on the Record Date, a Shareholder's address as recorded on the register of members of the Company is in a place outside Hong Kong, the Board will make enquiries as to whether the Bonus Issue to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Bonus Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Bonus Issue will not be extended to such Overseas Shareholders. Based on the latest Shareholders information available from the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, as at Monday, 2 January 2017, the Company had 50 Overseas Shareholders residing in seven jurisdictions, namely Canada, the People's Republic of China, Japan, Macau, Malaysia, Singapore and United Kingdom.

Overseas Shareholders receiving a copy of the circular concerning the Bonus Issue may not treat the same as an invitation to participate in the Bonus Issue unless such invitation could lawfully be made to him/her/it without having to comply with any registration or other legal requirements in the relevant territory.

In circumstances where any Overseas Shareholders are not permitted to participate in the Bonus Issue, arrangements will then be made for the Bonus Shares which would otherwise have been issued to those Overseas Shareholders to be sold in the market as soon as practicable after dealings in Bonus Shares commence, if a premium, net of expenses, can be obtained. Any net proceeds of such sale, after deduction of expenses, of HK\$100 or more will be distributed in Hong Kong dollars to the

Non-Qualifying Shareholders, if any, pro-rata to the respective shareholding and remittances will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100, in which case it will be retained for the benefit of the Company.

All Overseas Shareholders should consult their bankers or other professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to receive the Bonus Shares. It is the responsibility of the Shareholders (including Overseas Shareholders) to observe the local legal requirements applicable to the Shareholders for taking up and on-sale (if applicable) of the Bonus Shares under the Bonus Issue.

Certificates for the Bonus Shares and the Convertible Notes

It is expected that certificates for the Bonus Shares and the Convertible Notes will be posted on Thursday, 23 February 2017, after all the conditions having been fulfilled, at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Bonus Issue Record Date. Dealings in the Bonus Shares are expected to commence on 9:00 a.m. on Friday, 24 February, 2017.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Bonus Issue which is indicative only and has been prepared on the assumption that all the conditions of the Bonus Issue will be fulfilled:

Last day of dealings in Shares on a cum-entitlement basis relating to the Bonus Issue	Friday, 20 January 2017
First day of dealings in Shares on an ex-entitlement basis in relating to the Bonus Issue	Monday, 23 January 2017
Latest time for lodging transfers of Shares for registration in order to qualify for the Bonus Issue	4:30 p.m. on Tuesday, 24 January 2017
Closure of register of members for determining entitlement to the Bonus Issue (both days inclusive)	Wednesday, 25 January 2017 to Friday, 27 January 2017

Record Date for determining entitlement to the
 Bonus Issue Friday, 27 January 2017

Register of members re-opens Wednesday, 1 February 2017

Latest day and time to submit the election forms
 for Bonus Issue 4:30 p.m. on Monday, 13 February 2017

Certificates of the Bonus Shares and the
 Convertible Notes to be despatched Thursday, 23 February 2017

Dealings in Bonus Share commence 9:00 a.m. on Friday, 24 February 2017

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, the financial adviser to the Company in relation to proposed the Bonus Issue and is licensed by the Securities and Futures Commission for Type 6 regulated activity (advising on corporate finance)
“associates”	has the meaning ascribed to it under the Listing Rules
“AO”	Asia Orient Holdings Limited (stock code: 214), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board, and the controlling shareholder of ASI
“ASI”	Asia Standard International Group Limited (stock code: 129), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board and a 51.79% owned by AO

“Board”	the board of Directors
“Bonus Issue”	issue of Bonus Share(s) by the Company on the basis of two (2) Bonus Share for every one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date
“Bonus Share(s)”	new Share(s) to be issued pursuant to the Bonus Issue
“Bye-laws”	bye-laws of the Company
“Company”	Asia Standard Hotel Group Limited (stock code: 292), an exempted company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Convertible Note(s)” or “Note(s)”	the Convertible Note(s) to be constituted by the Deed Poll and issued by the Company pursuant to the Bonus Issue to Shareholders electing to receive the Note(s) in lieu of the Bonus Shares
“Deed Poll”	the deed poll and any other document (as from time to time altered in accordance with the Deed Poll) to be executed by the Company in order to provide for and to protect the rights and interests of the Noteholders
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Mr. Poon”	Poon Jing, the chairman of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China

“Non-Qualifying Shareholders”	those Overseas Shareholder(s) (Bonus Issue) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Bonus Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Noteholder(s)”	holder(s) of the Convertible Note(s)
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Bonus Issue Record Date) which is(are) outside Hong Kong
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	the record date for the purpose of ascertaining the entitlements of the Shareholders to the Bonus Issue, tentatively set to be on or about Friday, 27 January 2017
“Share(s)”	ordinary share(s) of par value HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business

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

Hong Kong, 6 January 2017

As at the date of this announcement, the executive directors of the Company are Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Poon Hai, Mr. Poon Yeung, Roderick, Mr. Fung Siu To, Clement and Mr. Woo Wei Chun, Joseph; and the independent non-executive directors of the Company are Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming.

** For identification purpose only*