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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ASIA STANDARD HOTEL GROUP LIMITED, (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**MAJOR AND CONNECTED TRANSACTION**

**IN RELATION TO THE REORGANISATION OF  
PROPERTY INTERESTS IN TSIMSHATSUI**

**Independent financial adviser to the independent board committee and  
independent shareholders of Asia Standard Hotel Group Limited**



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A notice convening the SGM to be held at Empire Grand Room, 1st Floor, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on Monday, 17 December 2012 at 10:30 a.m. is set out on pages N-1 to N-2 of this circular. Whether or not you are able to attend and vote at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s head office and principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and delivery of the form of proxy shall not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting should they so wish.

\* For identification purposes only

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## DEFINITIONS

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*In this circular (including in the Appendices), the following expressions have the following meanings unless the context requires otherwise:*

“Announcement”	the joint announcement dated 6 November 2012 made by AO, ASI and the Company
“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 of the Stock Exchange, and the controlling shareholder of ASI
“ASF”	Asia Standard Finance Company Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of ASI
“ASH Group” or “Group”	the Company and its subsidiaries
“ASHHL” or “Purchaser”	Asia Standard Hotel (Holdings) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“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 of the Stock Exchange and a 50.5%-owned subsidiary of AO
“ASI Directors”	the directors of ASI
“ASI Group”	ASI together with its subsidiaries
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“associated corporation”	has the meaning ascribed to it under the SFO
“Bank”	Bank of China (Hong Kong) Limited
“Bank Loan”	all outstanding bank loan owed by Pacific Crown to the Bank, which amounted to HK\$106,030,000 as at the date of the Sale and Purchase Agreement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Completion”	the completion of the sale and purchase of the Sale Share and the assignment of the Inter-company Loan pursuant to the terms of the Sale and Purchase Agreement
“Completion Date”	the date when the Completion takes place

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## DEFINITIONS

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“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deed of Assignment”	the deed of assignment to be entered into between ASF and ASHHL in respect of the assignment of the Inter-company Loan from ASF to ASHHL
“Directors”	directors of the Company
“Enlarged Group”	ASH Group together with Target Group
“Grand Star” or “Vendor”	Grand-Star Alliance Limited, a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of ASI
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA” or “VC Capital”	VC Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the Transaction
“Independent Board Committee”	a board committee of the Board comprising all independent non-executive Directors established to advise the Independent Shareholders on the Transaction
“Independent Shareholders”	Shareholders other than AO, ASI and their respective associates
“Independent Valuer”	Prudential Surveyors (Hong Kong) Limited
“Inter-company Loan”	the outstanding loan advanced by ASF to Pacific Crown up to the date of, and immediately prior to, Completion
“Latest Practicable Date”	26 November 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	the face value of the Inter-company Loan
“Main Board”	the main board of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

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## DEFINITIONS

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“Nos. 10-12 Kimberley Street”	the parcel of land and the building erected thereon situated at Nos. 10-12 Kimberley Street, Tsimshatsui, Kowloon, Hong Kong
“Nos. 14-16 Kimberley Street”	the parcel of land and the building erected thereon situated at Nos. 14-16 Kimberley Street, Tsimshatsui, Kowloon, HongKong
“Pacific Crown”	Pacific Crown Enterprises Limited, a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of Victor Empire
“Parent Guarantee”	the corporate guarantee provided by ASI in favour of the Bank for the benefit of Pacific Crown in respect of the Bank Loan
“Property Units”	the property units at 10-16 Kimberley Street, Tsimshatsui, Kowloon, Hong Kong owned by Pacific Crown, as more particularly described in the section headed “Information of the Property Units” of this circular
“PRC”	The People’s Republic of China
“Relevant Periods”	the period from 27 January 2011 (being the date of incorporation of Pacific Crown) to 31 March 2011, the year ended 31 March 2012 and the six months ended 30 September 2012
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 November 2012 entered into between Grand Star and ASHHL in connection with the sale and purchase of the entire issued share capital of Victor Empire, and the assignment of the Inter-company Loan by ASF to ASHHL
“Sale Share”	the one ordinary share of US\$1.00 in the capital of Victor Empire (representing the entire issued share capital of Victor Empire) legal and beneficially owned by the Vendor for sale to the Purchaser pursuant to the Sale and Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on Monday, 17 December 2012 at 10:30 a.m. at Empire Grand Room, 1st Floor, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong for the purpose of approving the Transaction
“Share”	ordinary share(s) of HK\$0.02 in the share capital of the Company

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## DEFINITIONS

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“Share Consideration”	the consideration of HK\$50,000 for the transfer of the Sale Share from Grand Star to ASHHL under the Sale and Purchase Agreement
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Victor Empire and Pacific Crown
“Transaction”	the transactions contemplated under the Sale and Purchase Agreement
“US\$”	United States dollar, the lawful currency of the United States
“Victor Empire”	Victor Empire Limited, a limited liability company incorporated in the BVI and a direct wholly-owned subsidiary of Grand Star
“%”	per cent

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Poon Jing (*Chairman*)

Dr. Lim Yin Cheng

*(Deputy Chairman and Chief Executive)*

Mr. Poon Hai

Mr. Fung Siu To, Clement

Mr. Woo Wei Chun, Joseph

*Independent Non-executive Directors:*

Mr. Ip Chi Wai

Mr. Leung Wai Keung

Mr. Hung Yat Ming

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head office and principal place of  
business in Hong Kong:*

30th Floor

Asia Orient Tower

Town Place

33 Lockhart Road

Wanchai

Hong Kong

29 November 2012

*To the Shareholders*

Dear Sirs or Madams,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE REORGANISATION OF  
PROPERTY INTERESTS IN TSIMSHATSUI**

**INTRODUCTION**

On 6 November 2012, the directors of AO, ASI and the Company announced that, on 6 November 2012, ASHHL, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Grand Star, an indirect wholly-owned subsidiary of ASI which owns the entire issued share capital of Victor Empire, pursuant to which ASHHL agreed to acquire the entire issued share capital of Victor Empire from Grand Star and the Inter-company Loan from ASF.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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ASI owns the entire beneficial interests in the Property Units through Pacific Crown, its indirect wholly-owned subsidiary.

The aggregate consideration for the sale and purchase of the Sale Share and the assignment of the Inter-company Loan is HK\$285,530,076, of which the sum of HK\$50,000 is the consideration for the sale and purchase of the Sale Share and the sum of HK\$285,480,076 is the consideration for the assignment of the Inter-company Loan, subject to adjustment at the Completion Date.

Upon Completion, the Property Units will become indirectly and wholly-owned by the Company.

### THE SALE AND PURCHASE AGREEMENT

#### Date

6 November 2012

#### Parties

Vendor: Grand Star (an indirect wholly-owned subsidiary of ASI)

Purchaser: ASHHL (an indirect wholly-owned subsidiary of the Company)

#### Assets to be transferred

- (1) the Sale Share, representing the entire issued share capital of Victor Empire; and
- (2) the Inter-company Loan

#### Consideration

The aggregate consideration for the sale and purchase of the Sale Share and the assignment of the Inter-company Loan is HK\$285,530,076, of which the Share Consideration is HK\$50,000 and the Loan Consideration is HK\$285,480,076, subject to adjustment in accordance with the paragraph headed "Adjustment to consideration for the Inter-company Loan" below. The consideration will be payable in cash at Completion, part of which will be funded by the ASH Group from a bank loan of HK\$250,000,000 and the remaining amount will be funded by its internal cash resources.

The Share Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the unaudited consolidated net asset value of Victor Empire of approximately HK\$59,000 as at 30 September 2012; (ii) the value of the Property Units of approximately HK\$390 million as at 30 September 2012 as determined by the Independent Valuer; and (iii) the Parent Guarantee referred to under the paragraph headed "Provision of corporate guarantee" below which is to be assumed by the Company after Completion. The Loan Consideration is the face value of the Inter-company Loan as at the date of the Sale and Purchase Agreement, subject to adjustment in accordance with the paragraph headed "Adjustment to consideration for the Inter-company Loan" below.



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## LETTER FROM THE BOARD

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### **Adjustment to consideration for the Inter-company Loan**

In the event that the Inter-company Loan as at the date of Completion is more than HK\$285,480,076, the Loan Consideration is to be increased by the shortfall amount. In the event that the Inter-company Loan as at the date of Completion is less than HK\$285,480,076, the Loan Consideration is to be reduced by the excess amount. The Sale and Purchase Agreement does not provide for a maximum amount on the adjustment to the Loan Consideration, but the Directors do not anticipate that the amount of the Inter-company Loan as at the date of Completion will be materially different from that as at the date of the Sale and Purchase Agreement. The Company will re-comply with the relevant provisions of the Listing Rules if and when necessary.

### **Conditions precedent to Completion**

Completion of the Sale and Purchase Agreement is conditional upon, among other things:

- (1) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM;
- (2) (if necessary) each of AO, ASI and the Company having obtained all other necessary approvals, consents or waivers (as appropriate) as are required under the Listing Rules or other applicable regulations from the Stock Exchange or any other regulators in respect of the entering into and performance of the Sale and Purchase Agreement; and
- (3) all other third party consents required in connection with the execution and delivery of, and the consummation of the transactions contemplated by, the Sale and Purchase Agreement, having been obtained.

If the above conditions precedent cannot be fulfilled by 15 January 2013 (or such later date as the parties to the Sale and Purchase Agreement may agree), all rights and obligations of the parties under the Sale and Purchase Agreement shall cease and terminate. Under the Sales and Purchase Agreement, no party can waive any conditions precedent unless agreed by another party. As at the Latest Practicable Date, condition precedent (2) has been fulfilled and no party had the intention to waive conditions precedent (1) and (3).

### **Completion of the Sale and Purchase Agreement**

Completion shall take place on the third business day next following the day of fulfillment of all of the above conditions precedent (or such later date as the parties to the Sale and Purchase Agreement may agree).

Upon Completion, both Victor Empire and Pacific Crown will each become an indirect wholly-owned subsidiary of the Company, and an indirect non-wholly owned subsidiary of AO and ASI. As at the Latest Practicable Date, AO owned approximately 50.5% interest in ASI, and

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## LETTER FROM THE BOARD

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approximately 3% interest in the Company (other than those interest held through ASI) while ASI owned approximately 70.1% interest in the Company. As such, AO and ASI will respectively own approximately 38.4% and 70.1% effective interest in Victor Empire and Pacific Crown upon Completion.

### **Assignment of Inter-company Loan**

ASF, which has advanced to Pacific Crown the Inter-company Loan, shall enter into the Deed of Assignment with ASHHL on the Completion Date.

Pursuant to the terms of the Sale and Purchase Agreement and the Deed of Assignment, the Vendor agreed to procure ASF to assign and transfer, and the Purchaser agreed to accept the assignment and transfer of, the Inter-company Loan with effect from the Completion Date.

### **Provision of corporate guarantee**

As at the date of the Sale and Purchase Agreement, ASI has given the Parent Guarantee in favour of the Bank for the benefit of Pacific Crown. At Completion or as soon as reasonably practicable after Completion, the parties shall procure the Bank to release ASI from the Parent Guarantee and ASHHL shall procure the Company to give a corporate guarantee in favour of the Bank in place of the Parent Guarantee.

### **INFORMATION OF THE PROPERTY UNITS**

The Property Units comprise the following residential units and retail shops which are located at 10-16 Kimberley Street, Tsimshatsui, Kowloon, Hong Kong:

<b>Location</b>	<b>Property Units</b>
10 Kimberley Street	Shops 1 to 3 on the Ground Floor; and property units on 1st Floor to 7th Floor and Roof Floor
12 Kimberley Street	Shops A to C on the Ground Floor; and property units on 1st Floor to 4th Floor, 6th Floor, 7th Floor and Roof Floor
14 Kimberley Street	Property units on 1st Floor to 3rd Floor and Roof Floor
16 Kimberley Street	Property units on 2nd Floor and 3rd Floor

The Property Units were valued by the Independent Valuer at approximately HK\$390 million as at 30 September 2012.

The Property Units represent approximately 95% of the undivided shares of Nos. 10-12 Kimberley Street and approximately 57% of the undivided shares of Nos. 14-16 Kimberley Street.

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## LETTER FROM THE BOARD

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### FINANCIAL INFORMATION OF VICTOR EMPIRE

Pacific Crown and Victor Empire were incorporated on 27 January 2011 and 21 March 2011, respectively.

For the period between 27 January 2011 (being the date of incorporation of Pacific Crown) and 31 March 2011 and the year ended 31 March 2012, Victor Empire recorded an unaudited consolidated net loss (both before and after taxation and extraordinary items) of approximately HK\$12,538 and HK\$113,805, respectively.

The unaudited consolidated net asset value of Victor Empire as at 30 September 2012 was approximately HK\$59,000.

### FINANCIAL EFFECTS OF THE TRANSACTION

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group as set out which illustrates the financial effects of the Transaction on the assets and liabilities of the Group assuming Completion had taken place on 30 September 2012.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma net assets of the Enlarged Group would be approximately HK\$2,595,747,000, comprising unaudited pro forma total assets of approximately HK\$4,681,410,000 and unaudited pro forma total liabilities of approximately HK\$2,085,663,000.

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, (a) the total assets of the Group as at 30 September 2012 would increase by approximately 8.24% from approximately HK\$4,324,832,000 to approximately HK\$4,681,410,000; (b) its total liabilities as at 30 September 2012 would increase by approximately 20.62% from approximately HK\$1,729,085,000 to approximately HK\$2,085,663,000; and (c) the net assets of the Group as at 30 September 2012 would remain to be approximately HK\$2,595,747,000 as a result of the Transaction.

The Directors consider that the Transaction will contribute to the increase in the revenue and earnings of the Enlarged Group in future when the Property Units are redeveloped into a hotel or hotel related facilities.

### REASONS FOR, AND BENEFITS OF, THE TRANSACTION

The ASI Group has been acquiring and accumulating property units for redevelopment purposes, and has considered from time to time how to maximize the value of the Property Units. The ASI Directors consider that the attraction of Hong Kong as a tourist destination for international as well as PRC visitors will continue to grow. In this regard, the Property Units are situated at Tsimshatsui, which is in a prime location and within a short distance from tourist spots and local attractions. More importantly, the Property Units are in the vicinity of Empire Hotel Kowloon, one of the hotels operated by the Group. The Company is the member of the ASI Group which owns and manages its hotel interests, currently owning and managing four hotels in Hong Kong and Canada. In view of the management and administrative expertise and resources to operate hotels or hotel related facilities and

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## LETTER FROM THE BOARD

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the close proximity between the Property Units and Empire Hotel Kowloon, the ASI Directors have decided to transfer and the Directors have decided to acquire the Property Units for redevelopment into a hotel or hotel related facilities, believing that this can create operational synergies and further business opportunities and will increase the revenue generated from the Property Units for the ASI Group as a whole.

Subject to the acquisition of the entire ownership of Nos. 10-12 Kimberley Street, the Company intends to redevelop Nos. 10-12 Kimberley Street into a hotel. The Company will own approximately 95% of the undivided shares in Nos. 10-12 Kimberley Street after Completion. Pacific Crown has applied to the Lands Tribunal for a compulsory sale order under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545 of the Laws of Hong Kong) to acquire the remaining undivided shares in Nos. 10-12 Kimberley Street. The Directors expect that the Company will secure the entire ownership of Nos. 10-12 Kimberley Street in 2013.

The hotel development plan includes approximately 90 guest rooms and retail outlets. Save for the successful acquisition of the entire ownership of Nos. 10-12 Kimberley Street, the relevant governmental departments have not expressed any objection to the redevelopment of Nos.10-12 Kimberley Street into a hotel. The Directors do not foresee any difficulty in obtaining all necessary government approvals in connection with such redevelopment. Construction work will commence as soon as Nos. 10-12 Kimberley Street are vacated and all necessary approvals have been obtained. It is anticipated that construction work will be completed within approximately 39 to 45 months from the date of commencement of work. Under the preliminary estimate of the Directors and subject to the change of market conditions, the construction work will cost approximately HK\$160 million and necessary bank financing will be arranged.

As regards Nos. 14-16 Kimberley Street, the Company will use its best endeavours to acquire the remaining interest of Nos. 14-16 Kimberley Street with a view to, upon obtaining the entire ownership, redeveloping it as an extension to the new hotel at Nos. 10-12 Kimberley Street. The Directors consider that it would create further business synergies for the Group if the Company is able to include Nos. 14-16 Kimberley Street in the current hotel development plan of Nos. 10-12 Kimberley Street in view of the proximity between Nos. 10-12 Kimberley Street, Nos. 14-16 Kimberley Street and Empire Hotel Kowloon. Since negotiation has yet to take place in respect of the acquisition of the remaining interest of Nos. 14-16 Kimberley Street, the Company did not have a definite timeline or an estimate of the capital requirement in this regard as at the Latest Practicable Date.

The Directors (including the independent non-executive Directors) believe that the terms of the Sale and Purchase Agreement are on normal commercial terms, the terms of which are fair and reasonable and that the Transaction is in the interests of the Shareholders as a whole.

### INFORMATION ON GRAND STAR, ASHHL, VICTOR EMPIRE AND PACIFIC CROWN

Grand Star and Victor Empire are investment holding companies incorporated under the laws of the BVI.

ASHHL is an investment holding company incorporated under the laws of Hong Kong.

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## LETTER FROM THE BOARD

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Pacific Crown is a property holding company incorporated in Hong Kong which holds the entire beneficial interest in the Property Units.

### INFORMATION ON AO, ASI AND THE COMPANY

AO is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange. AO and its subsidiaries are principally engaged in property management, development and investment, hotel, travel agency and catering operations and securities investments. As at the Latest Practicable Date, AO owns approximately 50.5% interest in ASI, and approximately 3% interest in the Company (other than those interest held through ASI).

ASI is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange. ASI and its subsidiaries are principally engaged in investment and development of commercial, retail and residential properties in Hong Kong and the PRC and securities investments. Through the Company, ASI is also involved in hotel operation, travel agency services and catering operations. As at the Latest Practicable Date, ASI owns approximately 70.1% interest in the Company.

The Company is a limited liability company incorporated in Bermuda whose Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company consist of holding and operating four hotels in Hong Kong and Canada; travel agency services; catering operations and securities investments.

### SGM

The Company is approximately 70.1%-owned by ASI, which in turn is owned by AO as to approximately 50.5%. AO and ASI are each a controlling shareholder and hence a connected person of the Company.

As one or more of the percentage ratios in respect of the Transaction is more than 25% but less than 100% for the Company, the Transaction constitutes a major and non-exempt connected transaction for the Company. Accordingly, the Transaction is subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be held on Monday, 17 December 2012 at 10:30 a.m. at Empire Grand Room, 1st Floor, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong at which an ordinary resolution (the "**Resolution**") will be proposed for the approval of the Transaction by the Independent Shareholders, being those Shareholders other than AO, ASI and their respective associates. In this regard, Mr. Poon Jing is a controlling shareholder of AO and is hence regarded as having a material interest in the Transaction. Therefore, Mr. Poon Jing and his associates who together hold 1,132,719,542 Shares (representing approximately 73.08% of the total issued share capital of the Company as at the Latest Practicable Date) shall abstain from voting on the Resolution to approve the Transaction at the SGM. Mr. Poon Jing has also abstained from voting at the relevant meeting of the Board on the resolution to approve the Transaction.

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## LETTER FROM THE BOARD

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An Independent Board Committee comprising all the independent non-executive Directors who are considered independent of the Transaction has been established to advise the Independent Shareholders in respect of the Transaction and as to how they should vote at the SGM. VC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Transaction.

A notice convening the SGM is set out on pages N-1 to N-2 of this circular.

Enclosed is a form of proxy for use at the SGM. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's head office and principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

### RECOMMENDATION

Having taken into account the recommendation and advice from VC Capital in relation to the Transaction (as contained in the letter from VC Capital set out on pages 14 to 25 of this circular), the Independent Board Committee is of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable, and that the Transaction is in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from VC Capital set out on pages 14 to 25 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transaction.

Both the Independent Board Committee and VC Capital recommend the Independent Shareholders to vote in favour of the Resolution.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
On behalf of the Board  
**Lim Yin Cheng**  
*Deputy Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

29 November 2012

*To the Independent Shareholders*

Dear Sirs or Madams,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE REORGANISATION OF  
PROPERTY INTERESTS IN TSIMSHATSUI**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Transaction, details of which are set out in the letter from the Board in a circular dated 29 November 2012 to the Shareholders (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the “Letter from VC Capital”, concerning its advice to us regarding the fairness and reasonableness of the terms and conditions of the Sale and Purchase Agreement as set out on pages 14 to 25 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 12 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the advice and recommendation of VC Capital, we consider that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the Transaction is in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favor of the Resolution.

Yours faithfully

**Asia Standard Hotel Group Limited**

**Ip Chi Wai, Leung Wai Keung and Hung Yat Ming**  
Independent Board Committee

\* *For identification purposes only*

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## LETTER FROM VC CAPITAL

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from VC Capital in respect of the Transaction prepared for the purpose of inclusion in this circular.*



29 November 2012

*To the Independent Board Committee and  
the Independent Shareholders of  
Asia Standard Hotel Group Limited*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE REORGANISATION OF PROPERTY INTERESTS IN TSIMSHATSUI**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction, details of which are set out in the “Letter from the Board” as contained in a circular of the Company (the “**Circular**”) to the Shareholders dated 29 November 2012, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As announced by the Company on 6 November 2012, ASHHL, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement on 6 November 2012 with Grand Star, an indirect wholly-owned subsidiary of ASI which owns the entire issued share capital of Victor Empire, pursuant to which ASHHL agreed to acquire the entire issued share capital of Victor Empire from Grand Star and the Inter-company Loan from ASF, an indirect wholly-owned subsidiary of ASI. Victor Empire holds the entire beneficial interests in the Property Units through its wholly-owned subsidiary, Pacific Crown. The aggregate consideration for the sale and purchase of the Sale Share and the assignment of the Inter-company Loan is HK\$285,530,076, of which the sum of HK\$50,000 is the consideration for the sale and purchase of the Sale Share, and the sum of HK\$285,480,076 is the consideration for the assignment of the Inter-company Loan, subject to adjustment at the Completion Date. Upon Completion, Victor Empire and Pacific Crown will become indirect wholly-owned subsidiaries of the Company, and the Property Units will become indirectly and wholly owned by the Company.



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## LETTER FROM VC CAPITAL

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As the Company was owned as to approximately 70.1% by ASI as at the Latest Practicable Date, ASI is a controlling shareholder and hence a connected person of the Company and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, as one or more of the percentage ratios in respect of the Transaction is more than 25% but less than 100%, the Transaction also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Transaction is subject to approval by the Independent Shareholders, being the Shareholders other than AO, ASI and their respective associates, voting by way of poll at the SGM. Therefore, Mr. Poon Jing, the controlling shareholder of AO, and his associates who together held 1,132,719,542 Shares (representing approximately 73.1% of the total issued share capital of the Company as at the Latest Practicable Date), shall abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Transaction.

The Independent Board Committee, comprising Messrs. Ip Chi Wai, Leung Wai Keung and Hung Yat Ming, being all the independent non-executive Directors who have no direct or indirect interests in the Transaction, has been formed to advise on the fairness and reasonableness of the terms of the Sale and Purchase Agreement so far as the Independent Shareholders are concerned and as to whether the Transaction is in the interests of the Company and the Shareholders as a whole.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to (i) whether the Transaction is in the usual and ordinary course of business of the Group; (ii) whether the Transaction is on normal commercial terms; (iii) whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (iv) whether the Transaction is in the interests of the Company and the Shareholders as a whole.

VC Capital is independent from the Company pursuant to Rule 13.84 of the Listing Rules and, accordingly, is considered eligible to give independent advice on the Transaction. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed by, the executive Directors and senior management of the Group. We have also relied on the information and representations contained or referred to in the Circular and have assumed that they were true, accurate and complete at the time they were prepared or made and will continue to be so up to the date of the Circular. We have been advised by the executive Directors that no material facts have been omitted from the Circular and from the information supplied and opinions expressed to us.

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## LETTER FROM VC CAPITAL

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We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have not, however, conducted any independent investigation into the business, affairs or future prospects of the Group, the other party to the Transaction or any of their respective associates, nor have we carried out any independent verification of the information supplied.

All the Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, information and opinions expressed by the Directors or senior management of the Group in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion as to (i) whether the Transaction is in the usual and ordinary course of business of the Group; (ii) whether the Transaction is on normal commercial terms; (iii) whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (iv) whether the Transaction is in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

#### (A) Reasons for and benefits of the Transaction

The Group is principally engaged in the holding and operation of four hotels in Hong Kong and Canada, travel agency operations, catering services and securities investments.

The Property Units comprise the following residential units and retails shops located at Nos. 10-16 Kimberley Street, Tsimshatsui, Kowloon, Hong Kong:

<b>Location</b>	<b>Property Units</b>
No. 10 Kimberley Street	Shops 1 to 3 on the Ground Floor; and Property units on 1st Floor to 7th Floor and Roof Floor
No. 12 Kimberley Street	Shops A to C on the Ground Floor; and Property units on 1st Floor to 4th Floor, 6th Floor, 7th Floor and Roof Floor
No. 14 Kimberley Street	Property units on 1st Floor to 3rd Floor and Roof Floor
No. 16 Kimberley Street	Property units on 2nd Floor and 3rd Floor

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## LETTER FROM VC CAPITAL

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As stated in the property valuation report prepared by the Independent Valuer as set out in Appendix V to the Circular, Nos. 10-12 Kimberley Street is a 47-year old 8-storey composite building. The aforesaid property units at Nos. 10-12 Kimberley Street which the ASI Group currently owns represent approximately 95% of the undivided shares, and is capable of being redeveloped into office or hotel development subject to approval being obtained from the relevant government departments. Nos. 14-16 Kimberley Street is a 60-year old 4-storey tenement block which falls within the town planning zone of “Commercial” in the zoning plan. Most of the Property Units are currently vacant, and the remaining three tenancies yield a monthly rental of HK\$60,200.

With its strategy of acquiring and accumulating property units for redevelopment purposes, the ASI Group acquired the Property Units from the first half of 2011 to early 2012. The ASI Group has, from time to time, considered how to maximize the value of the Property Units. The ASI Directors and the Directors are of the view that the attraction of Hong Kong as a tourist destination for international as well as mainland China visitors will continue to grow. Given the Property Units are situated in the vicinity of tourist spots and local attractions in Tsimshatsui, which is a very popular tourist area especially for mainland China visitors, who constitute a majority of the customers served by the Group’s hotel operations, the transfer of the Property Units from the ASI Group to the Group, which owns and manages the ASI Group’s hotel interests, for redevelopment into a hotel or hotel related facilities is expected to bring in more revenue for the Group upon completion of the redevelopment. With the close proximity between the Property Units and Empire Hotel Kowloon, one of the hotels operated by the Group, it is also expected that the redevelopment of the Property Units into a hotel or hotel related facilities would create operational synergies to the Group.

Despite the uncertain global economic environment, visitor arrivals to Hong Kong for the nine months from January to September 2012 increased by approximately 16.3% year-on-year to reach approximately 35.4 million, mainly driven by visitor arrivals from mainland China. Mainland visitor arrivals for the nine months from January to September 2012 recorded a robust year-on-year growth of approximately 24.2%, which was the highest amongst all market regions, to reach approximately 25.3 million. Hotel room occupancy rates for the nine months from January to September 2012 remained satisfactory and stable, with an occupancy rate of 88% for all hotels (which was the same as that of the same period in 2011), while high tariff B hotels, which is the category to which hotels operated by the Group belong, recorded slightly higher occupancy rates than the aforesaid overall average at 90% (which was the same as that of the same period in 2011). Hotels in Tsimshatsui remained popular, with an occupancy rate of 88% for the nine months from January to September 2012, increasing by 1% over the occupancy rate of hotels in Tsimshatsui for the same period in 2011, and which was higher than the occupancy rates of hotels in Central/Admiralty, Wanchai/Causeway Bay and Eastern and other districts on Hong Kong Island. For the nine months from January to September 2012, high tariff B hotels achieved an average hotel room rate of HK\$1,181, and an average increase of approximately 11.6% over the rates for the same period in 2011, which was at par with the growth in average achieved hotel room rate for all hotels in Hong Kong. The aforesaid statistics in relation to visitor arrivals to Hong Kong, hotel room occupancy rates and average hotel room rates are extracted from reports and press releases published by the Hong Kong Tourism Board.

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## LETTER FROM VC CAPITAL

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The property units at Nos. 10-12 Kimberley Street which the ASI Group currently owns represent approximately 95% of the undivided shares of Nos. 10-12 Kimberley Street. The property units at Nos. 14-16 Kimberley Street which the ASI Group currently owns represent approximately 57% of the undivided shares of Nos. 14-16 Kimberley Street. We understand from the executive Directors that save for the requirement to secure entire ownership of the Property Units, the relevant governmental departments have not expressed any objection to the redevelopment into a hotel or hotel related facilities. As ownership of Nos. 10-12 Kimberley Street has already exceeded the threshold of having to own not less than 90% of the undivided shares in a lot for application to the Lands Tribunal for a compulsory sale order under the Land (Compulsory Sale for Redevelopment) Ordinance, and it is expected that a hearing for compulsory sale by the Lands Tribunal may be held in the coming few months, the executive Directors are confident of the prospects of success in the redevelopment of the Property Units into a hotel or hotel related facilities after Completion. It is the Company's intention to commence redevelopment of the property units at Nos. 10-12 Kimberley Street into a hotel or hotel related facilities as soon as practicable upon obtaining entire ownership, while at the same time continue to secure ownership of the remaining interest of Nos. 14-16 Kimberley Street which, upon the Group obtaining entire ownership, will be redeveloped as an extension to the hotel at Nos. 10-12 Kimberley Street.

Given (i) the rising trend in the number of visitor arrivals in Hong Kong, in particular the robust growth in visitor arrivals from mainland China, which is the major source of customers for the Group's operations; (ii) the continued satisfactory hotel occupancy rates; (iii) the increasing trend of average achieved daily hotel room rates; and (iv) the fact that the Property Units are located in Tsimshatsui, a prime tourist area frequented by mainland China visitors, who constitute a majority of customers of the Group's hotel operations, we concur with the Directors' positive view on the tourism and hotel industry in Hong Kong, and that the redevelopment of the Property Units into a hotel or hotel related facilities will further business opportunities, widen the Group's earnings base and strengthen the Group's market presence in the hotel industry in Hong Kong. With that in mind, we consider it logical for ASI to transfer the Property Units to the Group, which owns and manages the ASI Group's hotel interests, to better utilize management and administrative expertise and resources and enhance operational synergies. As such, we are of the view that, notwithstanding that the Transaction is not in the usual and ordinary course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

We note that the property units at Nos. 14-16 to be acquired by the Group from the ASI Group under the Sale and Purchase Agreement represent approximately 57% of the undivided shares of Nos. 14-16 Kimberley Street, and understand that the Group, upon Completion, will need to secure the remaining approximately 43% of the undivided shares of Nos. 14-16 Kimberley Street and obtain the necessary governmental approvals before such lot could be redeveloped. Nevertheless, (i) as understood from the executive Directors, the redevelopment plan of Nos. 10-12 Kimberley Street, of which the Group will have acquired approximately 95% of the undivided shares upon Completion, is independent from, and not subject to, the redevelopment of Nos. 14-16 Kimberley Street; (ii) the redeveloped property at Nos. 10-12 Kimberley Street will be able to serve as a hotel on its own; and (iii) with the presence of Empire Hotel Kowloon in the vicinity, and the proposed redevelopment of

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## LETTER FROM VC CAPITAL

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the adjacent Nos. 10-12 Kimberley Street into a hotel, the success of which the executive Directors are confident of, the acquisition of the property units at Nos. 14-16 Kimberley Street by the Group at this stage would enable the Group to secure future expansion of its hotel operations in the prime tourist area of Tsimshatsui and enjoy further business and operational synergies when the entire lot at Nos.14-16 Kimberley Street is redeveloped, as such, we consider that the acquisition by the Group of the property units at Nos. 14-16 Kimberley Street, albeit representing only 57% of the undivided shares of the lot at this stage, is a move that is in line with the Company's business strategy and is in the interests of the business of the Company in the long run.

On 26 October 2012, the Hong Kong Government announced that, with effect from 27 October 2012, a buyer's stamp duty ("**Buyer's Stamp Duty**") at the flat rate of 15% will be imposed on residential properties acquired by non-Hong Kong permanent residents (including companies incorporated), unless such transaction is exempted from the Buyer's Stamp Duty. Shareholders should therefore note that the future acquisition of remaining residential units at Nos. 10-16 Kimberley Street by the Group may be subject to the Buyer's Stamp Duty, unless exemption can be obtained. Shareholders should also note that as stated on the website of the Inland Revenue Department, the Hong Kong Government is considering granting certain exemptions from the Buyer's Stamp Duty, including the acquisition or transfer of a residential property pursuant to a court order, which may be applicable to the Group in its future acquisition of the remaining ownership at Nos. 10-16 Kimberley Street, but these exemptions are still subject to confirmation. We are of the opinion that, in view of the benefits of the Transaction as mentioned above, the Transaction is justifiable and is in the interests of the Company and the Shareholders as a whole, whether or not the Group is subject to the payment of the Buyer's Stamp Duty.

### (B) **Principal terms of the Sale and Purchase Agreement**

#### (i) *Assets to be acquired*

Pursuant to the Sale and Purchase Agreement, Grand Star shall sell, and ASHHL shall purchase, the Sale Share, which represents the entire issued share capital of Victor Empire. Grand Star has agreed to procure ASF to assign and transfer, and ASHHL has agreed to accept the assignment and transfer of, the Inter-company Loan with effect from the Completion Date. Victor Empire holds the entire beneficial interests in the Property Units through its wholly-owned subsidiary, Pacific Crown.

#### (ii) *Conditions precedent*

Completion of the Sale and Purchase Agreement is conditional upon, among other things:

- (1) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM;
- (2) (if necessary) each of AO, ASI and the Company having obtained all other necessary approvals, consents or waivers (as appropriate) as are required under the Listing Rules or other applicable regulations from the Stock Exchange or any other regulators in respect of the entering into and performance of the Sale and Purchase Agreement; and

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## LETTER FROM VC CAPITAL

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- (3) all other third party consents required in connection with the execution and delivery of, and the consummation of the transactions contemplated by, the Sale and Purchase Agreement having been obtained.

If the above conditions precedent cannot be fulfilled by 15 January 2013 (or such later date as the parties to the Sale and Purchase Agreement may agree), all rights and obligations of the parties under the Sale and Purchase Agreement shall cease and terminate. Under the Sale and Purchase Agreement, no party can waive any conditions precedent unless agreed by the other party. As stated in the “Letter from the Board” in the Circular, as at the Latest Practicable Date, condition precedent (2) has been fulfilled and no party has the intention to waive conditions precedent (1) and (3).

(iii) *Consideration*

The aggregate consideration for the sale and purchase of the Sale Share and the assignment of the Inter-company Loan is HK\$285,530,076, out of which HK\$50,000 is the Share Consideration and HK\$285,480,076 is the Loan Consideration, subject to adjustment as detailed below. The consideration will be payable in cash at Completion, which will be funded by the Group as to approximately HK\$35.5 million from its internal cash resources and as to approximately HK\$250.0 million by a 4-year banking facility.

The Share Consideration was determined after arm’s length negotiation between the Vendor and the Purchaser with reference to (i) the unaudited consolidated net asset value of Victor Empire of approximately HK\$59,000 as at 30 September 2012; (ii) the value of the Property Units of approximately HK\$390 million as at 30 September 2012 as determined by the Independent Valuer; and (iii) the fact that the corporate guarantee currently given by ASI in favour of the Bank for the benefit of Pacific Crown is to be assumed by the Company after Completion. The corporate guarantee to be assumed by the Company after Completion is in relation to the long-term borrowings of Pacific Crown in the amount of approximately HK\$106.0 million as at 30 September 2012.

The Loan Consideration is the face value of the Inter-company Loan as at the date of the Sale and Purchase Agreement, which will be subject to upward or downward adjustment in accordance with the actual amount of Inter-company Loan as at the Completion Date, by either (i) increasing by the shortfall amount if the actual amount of the Inter-company Loan as at the Completion Date is more than HK\$285,480,076; or (ii) reducing by the excess amount if the actual amount of the Inter-company Loan as at the Completion Date is less than HK\$285,480,076.

In order to assess the valuation of the Property Units, we have reviewed the valuation report prepared by the Independent Valuer, as set out in Appendix V to the Circular, and have performed the steps as required under Note 1(d) to Rule 13.80 of the Listing Rules in relation to third party opinions, including (i) obtaining from the Independent Valuer the names, qualifications and experience of staff members who are involved in this engagement, and noting that the team consists of members who are subject to the discipline of The Royal Institution of Chartered Surveyors and/or The Hong Kong Institute of Surveyors and with prior experience in valuing similar properties in Hong Kong for Hong Kong listed issuers; (ii) obtaining confirmation from the Independent Valuer with regard to prior

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## LETTER FROM VC CAPITAL

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and/or current relationships between the Independent Valuer and the Company, ASI and their respective connected persons; (iii) obtaining confirmation from the Independent Valuer that it has met the independence criteria as set out under Rule 5.08(1) of the Listing Rules; (iv) obtaining confirmation from the Independent Valuer that, save for the proposed hotel development plans and tenancy information in relation to the Property Units which were provided by the Company, neither the Company nor ASI has made any other formal or informal representations to the Independent Valuer; and (v) enquiring with the Independent Valuer on the methodology adopted and the bases and assumptions made in arriving at the valuation.

We understand that the valuation of property interests using the direct comparison approach by making reference to comparable market transactions is a commonly adopted approach in the determination of the value of the Property Units. We also note that the valuation assumptions as adopted by the Independent Valuer are customary assumptions adopted in property valuations. As such, we consider that the methodology and assumptions applied by the Independent Valuer in arriving at the valuation of the Property Units are reasonable.

The value of the Property Units as set out in the property valuation report in Appendix V to the Circular is as at 30 September 2012, which is prior to the implementation of the Buyer's Stamp Duty. We have made enquiries with the Independent Valuer and understand that, notwithstanding the implementation of the Buyer's Stamp Duty, there has not been any significant change in prices of residential land sales from 30 September 2012 up to the Latest Practicable Date. As such, we are of the view that there is no reason for us to doubt the reasonableness of the value of the Property Units arrived at by the Independent Valuer.

Having considered that (i) the Share Consideration was determined with reference to the unaudited consolidated net asset value of Victor Empire of approximately HK\$59,000 as at 30 September 2012, and taking into account the value of the Property Units of approximately HK\$390 million as at 30 September 2012 as determined by the Independent Valuer, and the fact that the corporate guarantee currently given by ASI in favour of the Bank for the benefit of Pacific Crown is to be assumed by the Company after Completion; (ii) the direct comparison approach as adopted by the Independent Valuer in its valuation of the Property Units is a commonly adopted approach for property valuation; and (iii) the Loan Consideration is the face value of the Inter-company Loan as at the date of the Sale and Purchase Agreement, which will be adjusted dollar-for-dollar in accordance with the actual amount of Inter-company Loan as at the Completion Date, we are of the view that the aggregate consideration for the sale and purchase of the Sale Share and the assignment of the Inter-company Loan is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

### **(C) Financial effects of the Transaction**

The following analyses and calculations on the financial effects of the Transaction are made with reference to the information in the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to the Circular, as if the Transaction had taken place on 30 September 2012, and the published 2012 interim report of the Company. They are for illustrative purposes only and do not purport to represent the financial position of the Group upon Completion.



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## LETTER FROM VC CAPITAL

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For convenience of illustration, the following table sets out the figures used in the calculations below as extracted from the unaudited pro forma financial information as set out in Appendix III to the Circular and the published 2012 interim report of the Company.

<i>(Note 1)</i>	<b>Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2012</b> <i>HK\$mln</i>	<b>Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2012</b> <i>HK\$mln</i>
<b>Non-current assets</b>	<b>2,860.6</b>	<b>3,252.5</b>
Out of which:		
Property, plant and equipment	2,660.2	3,052.1
<b>Current assets</b>	<b>1,464.2</b>	<b>1,428.9</b>
Out of which:		
Bank balances and cash	120.1	84.0
<b>Total assets at book value</b>	<b>4,324.8</b>	<b>4,681.4</b>
Revaluation surplus on hotel properties <i>(Note 2)</i>	5,820.2	5,820.2
<b>Revalued total assets</b>	<b>10,145.0</b>	<b>10,501.6</b>
Out of which:		
Property, plant and equipment	8,480.4	8,872.3
<b>Current liabilities</b>	<b>705.8</b>	<b>706.4</b>
Out of which:		
Short term bank borrowings	600.9	600.9
<b>Non-current liabilities</b>	<b>1,023.2</b>	<b>1,379.3</b>
Out of which:		
Long term bank borrowings	981.3	1,337.3
<b>Total liabilities</b>	<b>1,729.1</b>	<b>2,085.7</b>
<b>Net assets at book value</b>	<b>2,595.7</b>	<b>2,595.7</b>
<b>Revalued net assets</b>	<b>8,415.9</b>	<b>8,415.9</b>

*Notes:*

1. There may be slight discrepancies in calculation due to rounding.
2. Information on the valuation of the hotel properties of the Group as at 30 September 2012 as revalued by independent professional valuers is set out in Note 11 of the “Notes to the Interim Financial Information” in the 2012 interim report of the Company.



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## LETTER FROM VC CAPITAL

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(i) *Earnings*

Upon Completion, Victor Empire and Pacific Crown will become wholly-owned subsidiaries of the Company and its financial results will be consolidated into the Group's financial results. Given that (i) the Transaction enables the Group to acquire the Property Units which, according to the executive Directors, have promising prospects of success in being redeveloped into a hotel or hotel related facilities; and (ii) the Transaction would bring in revenue to the Enlarged Group, especially after completion of the redevelopment of the Property Units into a hotel or hotel related facility, and help develop the Enlarged Group's business and market presence in the hotel and tourism sector, we are of the view that the Transaction would have a positive impact on the earnings of the Enlarged Group in the future.

(ii) *Assets, liabilities and net assets value*

As at 30 September 2012, without taking into account the revaluation surplus on hotel properties of the Group, the unaudited consolidated total assets and total liabilities of the Group amounted to approximately HK\$4,324.8 million and HK\$1,729.1 million respectively, and the net assets value of the Group amounted to approximately HK\$2,595.7 million.

Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group, without taking into account the revaluation surplus on hotel properties of the Group, the consolidated total assets and total liabilities of the Enlarged Group would increase to approximately HK\$4,681.4 million and approximately HK\$2,085.7 million respectively, and the net assets value of the Enlarged Group would amount to approximately HK\$2,595.7 million.

The increase in consolidated total assets of the Enlarged Group of approximately HK\$356.6 million is mainly attributable to the increase in property, plant and equipment of approximately HK\$391.9 million as a result of the acquisition of the Property Units, the increase in other current assets of approximately HK\$1.3 million and taking into account a reduction in bank balances and cash of approximately HK\$36.6 million arising from payment in cash of part of the consideration and transaction costs for the Transaction. The consolidated total liabilities of the Enlarged Group would increase correspondingly by approximately HK\$356.6 million, which is mainly attributable to the increase in long-term borrowings of approximately HK\$356.0 million, which includes the 4-year banking facility of HK\$250.0 million utilized to finance the payment of part of the consideration for the Sale and Purchase Agreement, together with the increase in other payables of approximately HK\$0.6 million. The net assets value of the Enlarged Group would remain unchanged at approximately HK\$2,595.7 million.

(iii) *Gearing ratio*

As at 30 September 2012, the gearing ratio of the Group (calculated as net debt, which is defined as short term borrowings plus long term borrowings less bank balances and cash, over net assets) amounted to approximately 56.3%. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the gearing ratio of the Enlarged Group would amount to approximately 71.4%.

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## LETTER FROM VC CAPITAL

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Shareholders should note that the aforesaid gearing ratios are calculated on the basis of net book value of the Group's assets, which only carries the Group's hotel properties at cost less depreciation. Had the revaluation surplus on the Group's hotel properties as at 30 September 2012 (the "**Revaluation Surplus**"), based on independent valuation, of approximately HK\$5,820.2 million been taken into account, the gearing ratio of the Group would be at a substantially lower level of approximately 17.4%, and the gearing ratio of the Enlarged Group would be approximately 22.0%.

The increase in gearing is due to the satisfaction of the consideration for the Sale and Purchase Agreement in part by cash, which reduces the bank balances and cash of the Enlarged Group, and the utilization of a four-year banking facility of HK\$250.0 million to finance the remaining payment of the consideration, which increases the borrowings of the Enlarged Group.

Having considered that (i) taking in account the Revaluation Surplus, the gearing ratio of the Enlarged Group would only have increased from approximately 17.4% to approximately 22.0%; (ii) the increase in gearing is mainly due to the settlement of a majority of the consideration for the Transaction by way of bank borrowings, which allows the Enlarged Group with more flexibility in resources allocation; and (iii) the Transaction would widen the earnings base of the Enlarged Group with the redevelopment of the Property Units into a hotel or hotel related facilities, we are of the opinion that the increase in the gearing of the Enlarged Group is acceptable and the Transaction is in the interests of the Company and the Shareholders as a whole.

(iv) *Working capital*

Pursuant to the Sale and Purchase Agreement, the consideration will be payable in cash at Completion, which will be funded by the Group as to approximately HK\$35.5 million from its internal cash resources and as to approximately HK\$250.0 million by a 4-year banking facility.

As at 30 September 2012, the Group had working capital (being current assets less current liabilities) and bank balances and cash of approximately HK\$758.4 million and approximately HK\$120.1 million respectively. We have also been advised by the executive Directors that the unutilized revolving credit facilities available under existing credit facilities from banks (excluding securities margin financing) as at 30 September 2012 amounted to approximately HK\$662.9 million. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group, immediately upon Completion, the working capital of the Enlarged Group would be reduced by approximately HK\$35.9 million to approximately HK\$722.5 million, and bank balances and cash would be reduced by approximately HK\$36.1 million to approximately HK\$84.0 million, both mainly due to utilization of cash for payment of part of the consideration for the Transaction. As confirmed by the Directors, taking into consideration the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group will, immediately following Completion, have sufficient working capital for its present requirements and for at least the period ending twelve months from the date of the Circular. Having considered the benefits of the Transaction as set out under the paragraph headed "Reasons for and benefits of the Transaction" above, we consider that the aforesaid reduction in working capital is acceptable.

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## LETTER FROM VC CAPITAL

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### OPINION

Having considered the above principal factors and reasons, notwithstanding that the Transaction is not in the ordinary and usual course of business of the Group, we consider (i) that the Sale and Purchase Agreement is on normal commercial terms; (ii) that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) that the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transaction.

Yours faithfully,  
For and on behalf of  
**VC Capital Limited**

**Philip Chau**  
*Managing Director*

**Felicia Hui**  
*Director*

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The audited consolidated financial statements of the Company (i) for the year ended 31 March 2012 is disclosed in the annual report of the Company for the year ended 31 March 2012 published on 31 July 2012, from pages 30 to 88; (ii) for the year ended 31 March 2011 is disclosed in the annual report of the Company for the year ended 31 March 2011 published on 20 July 2011, from pages 34 to 104; and (iii) for the year ended 31 March 2010 is disclosed in the annual report of the Company for the year ended 31 March 2010 published on 28 July 2010, from pages 32 to 96. All of which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.asiastandardhotelgroup.com](http://www.asiastandardhotelgroup.com)).

**INDEBTEDNESS STATEMENT**

As at the close of business on 31 October 2012, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Enlarged Group had outstanding borrowings of HK\$1,562.1 million, comprising secured bank loans of approximately HK\$1,562 million and unsecured bank loan of approximately HK\$0.1 million.

The Enlarged Group's above outstanding secured bank loans were secured by mortgages of hotel properties and financial assets of the Group with an aggregate book value of HK\$3,100 million as at 31 October 2012, floating charges over all the assets of certain subsidiaries and corporate guarantee of the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2012, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 October 2012.

As at the Latest Practicable Date, the Directors were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Enlarged Group since 31 October 2012.

**MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up.

**WORKING CAPITAL**

The Directors are of the opinion that the Enlarged Group will, immediately following Completion, have sufficient working capital for its present requirements and for at least the period ending twelve months from the date of this circular.

Taking into account the expected completion of the Transaction on or before 15 January 2013 and the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

**FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

The Group is principally engaged in hotel, catering services, travel agency operations and securities investments. The Group has been looking for potential investment opportunities in order to extend its hotel portfolio and to improve the Group's financial performance.

The Directors consider that the opportunities in new hotel developments have positive outlook believing that this can create operational synergies and further business opportunities and will increase the revenue for the Enlarged Group in the long run.

Despite the uncertain global economic environment, visitors' arrivals to Hong Kong between April and September 2012 soared by 11% year-on-year to reach 23 million, and growth has come from short-haul market. China continues to be the most important inbound source market for Hong Kong tourism with cumulative arrivals surged by 17% to exceed 16.2 million during the period under review.

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, the consolidated total assets and the consolidated total liabilities of the Group would increase by HK\$356.6 million and HK\$356.6 million respectively, and the net assets of the Group would remain as approximately HK\$2,595.8 million as a result of the Transaction.

The Group's gearing ratio, expressed as a percentage of net debt over the net assets, will increase from 56.3% to 71.4% as a result of the Transaction, and having taking into account the fair value of the hotel properties of the Group as at 30 September 2012, the gearing ratio will increase from 17.4% to 22%.

Mainland China and the short-haul markets will continue to be the growth engine of our tourism. The Group remains optimistic on the longer-term prospects, capitalising on location conveniences and high standards of hospitality services of its hotels and the continuous robust growth of the mainland economies. The Board will continue look for attractive investment and acquisition opportunities for new hotel development projects to create and enhance synergies to the Group's development in the future.

*The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

29 November 2012

The Directors  
Asia Standard Hotel Group Limited  
30th Floor, Asia Orient Tower  
Town Place, 33 Lockhart Road  
Wanchai  
Hong Kong

Dear Sirs,

We report on the financial information of Victor Empire Limited (the “Target”) and its wholly-owned subsidiary, Pacific Crown Enterprises Limited (“Pacific Crown”) (together, the “Target Group”), which comprises the consolidated and company balance sheets of the Target as at 31 March 2011, 31 March 2012 and 30 September 2012, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target for the period from 27 January 2011 (date of incorporation of Pacific Crown) to 31 March 2011, the year ended 31 March 2012, and the six months ended 30 September 2012 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Asia Standard Hotel Group Limited (the “Company”) and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 29 November 2012 (the “Circular”) in connection with the proposed acquisition of the Target by the Company.

The Target was incorporated on 21 March 2011 under the Laws of the British Virgin Islands. The Target acquired the entire interest in Pacific Crown as further set out in Note 1 of Section II below.

As at the date of this report, the Target has direct interest in the subsidiary as set out in Note 16 of Section II below.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

No audited financial statements have been prepared by the Target since its date of incorporation as there is no statutory requirement to prepare audited financial statements for companies incorporated in the British Virgin Islands. The audited financial statements of Pacific Crown have been prepared in accordance with the accounting principles generally accepted in Hong Kong. The statutory auditor of Pacific Crown is PricewaterhouseCoopers.

The directors of the respective companies now comprising the Target Group are responsible for the preparation of the respective companies' financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the unaudited financial statements of the Target Group, on the basis set out in Note 2(a) of Section II below with no adjustment made thereon.

### **Directors' Responsibility for the Financial Information**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 2(a) of Section II below and in accordance with HKFRS and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the interim financial information for the six months ended 30 September 2012.

### **Reporting Accountant's Responsibility**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

### **Opinion**

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target and of the Target Group as at 31 March 2011, 31 March 2012 and 30 September 2012 and of the Target Group's results and cash flows for the Relevant Periods then ended.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the six months ended 30 September 2011 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2(a) of Section II below and the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the interim financial information for the six months ended 30 September 2012.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 2(a) of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.



## I FINANCIAL INFORMATION OF THE TARGET GROUP

## CONSOLIDATED STATEMENTS OF COMPREHESIVE INCOME

		For the period from 27 January		Six months ended	
		2011 to 31 March	Year ended 31 March 2012	2011 30 September	2012
	Note	2011 HK\$	2012 HK\$	2011 HK\$	2012 HK\$
				<i>(Unaudited)</i>	
Other income	5	—	874,151	180,867	712,225
Administrative expenses	6	<u>(12,538)</u>	<u>(987,956)</u>	<u>(362,840)</u>	<u>(512,087)</u>
(Loss)/profit before income tax		(12,538)	(113,805)	(181,973)	200,138
Income tax expense	8	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14,487)</u>
(Loss)/profit and total comprehensive (loss)/income for the period/year		<u>(12,538)</u>	<u>(113,805)</u>	<u>(181,973)</u>	<u>185,651</u>

## CONSOLIDATED BALANCE SHEETS

	<i>Note</i>	<b>31 March 2011 HK\$</b>	<b>31 March 2012 HK\$</b>	<b>30 September 2012 HK\$</b>
<b>Current assets</b>				
Properties under development	9	—	383,502,698	390,819,892
Amount due from the immediate holding company	11	8	—	—
Other receivables		500,992	709,090	776,890
Cash and cash equivalents	10	—	11,618,167	520,174
		<u>501,000</u>	<u>395,829,955</u>	<u>392,116,956</u>
<b>Current liabilities</b>				
Trade and other payables	13	12,538	85,818	340,527
Rental deposit		—	387,150	192,550
Income tax payable		—	—	14,487
Amount due to a fellow subsidiary	12	500,992	289,449,625	285,480,076
Amount due to the immediate holding company	11	—	3,697	—
		<u>513,530</u>	<u>289,926,290</u>	<u>286,027,640</u>
<b>Net current (liabilities)/assets</b>		<u>(12,530)</u>	<u>105,903,665</u>	<u>106,089,316</u>
<b>Total assets less current liabilities</b>		(12,530)	105,903,665	106,089,316
<b>Non-current liability</b>				
Bank borrowing	14	—	106,030,000	106,030,000
<b>Net (liabilities)/assets</b>		<u>(12,530)</u>	<u>(126,335)</u>	<u>59,316</u>
<b>Equity</b>				
Share capital	17	8	8	8
(Accumulated losses)/retained profit		<u>(12,538)</u>	<u>(126,343)</u>	<u>59,308</u>
		<u>(12,530)</u>	<u>(126,335)</u>	<u>59,316</u>

## BALANCE SHEETS

	<i>Note</i>	<b>31 March 2011 HK\$</b>	<b>31 March 2012 HK\$</b>	<b>30 September 2012 HK\$</b>
<b>Non-current asset</b>				
Investment in a subsidiary	16	1	1	1
<b>Current asset</b>				
Amount due from the immediate holding company	11	8	—	—
<b>Current liabilities</b>				
Amount due to the immediate holding company	11	—	3,697	—
Amount due to subsidiary	16	1	5,539	13,994
Accrual		5,538	—	—
		<u>5,539</u>	<u>9,236</u>	<u>13,994</u>
<b>Net current liabilities</b>		<u>(5,531)</u>	<u>(9,236)</u>	<u>(13,994)</u>
<b>Net liabilities</b>		<u>(5,530)</u>	<u>(9,235)</u>	<u>(13,993)</u>
<b>Equity</b>				
Share capital	17	8	8	8
Accumulated losses		<u>(5,538)</u>	<u>(9,243)</u>	<u>(14,001)</u>
		<u>(5,530)</u>	<u>(9,235)</u>	<u>(13,993)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	(Accumulated losses)/ retained profit <i>HK\$</i>	Total <i>HK\$</i>
At 27 January 2011	—	—	—
Issue of an ordinary share	8	—	8
Loss for the period	<u>—</u>	<u>(12,538)</u>	<u>(12,538)</u>
At 31 March 2011	<u>8</u>	<u>(12,538)</u>	<u>(12,530)</u>
At 1 April 2011	8	(12,538)	(12,530)
Loss for the year	<u>—</u>	<u>(113,805)</u>	<u>(113,805)</u>
At 31 March 2012	<u>8</u>	<u>(126,343)</u>	<u>(126,335)</u>
At 1 April 2012	8	(126,343)	(126,335)
Profit for the period	<u>—</u>	<u>185,651</u>	<u>185,651</u>
At 30 September 2012	<u>8</u>	<u>59,308</u>	<u>59,316</u>
<i>(Unaudited)</i>			
At 1 April 2011	8	(12,538)	(12,530)
Loss for the period	<u>—</u>	<u>(181,973)</u>	<u>(181,973)</u>
At 30 September 2011	<u>8</u>	<u>(194,511)</u>	<u>(194,503)</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the			
	period from			
	27 January			
	2011 to	Year ended	Six months ended	
31 March	31 March	30 September		
2011	2012	2011	2012	
HK\$	HK\$	HK\$	HK\$	
				<i>(Unaudited)</i>
<b>Cash flows from operating activities</b>				
(Loss)/profit before income tax	(12,538)	(113,805)	(181,973)	200,138
Increase in properties under development	—	(383,218,619)	(330,858,130)	(5,614,798)
Increase in other receivables	(500,992)	(208,098)	(199,008)	(67,800)
Increase/(decrease) in trade and other payables	12,538	32,462	(5,038)	257,500
Increase/(decrease) in rental deposit	—	387,150	218,000	(194,600)
Increase/(decrease) in amount due to a fellow subsidiary	500,992	288,948,633	331,882,383	(3,969,549)
Change in net balance with the immediate holding company	(8)	3,705	858	(3,697)
<b>Net cash (used in)/generated from operating activities</b>	<b>(8)</b>	<b>(94,168,572)</b>	<b>857,092</b>	<b>(9,392,806)</b>
<b>Cash flows from financing activities</b>				
Issue of an ordinary share	8	—	—	—
Drawdown of bank borrowing	—	106,030,000	—	—
Interest paid	—	(243,261)	—	(1,705,187)
<b>Net cash generated from/(used in) financing activities</b>	<b>8</b>	<b>105,786,739</b>	<b>—</b>	<b>(1,705,187)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
	—	11,618,167	857,092	(11,097,993)
Cash and cash equivalents at the beginning of the period/year	—	—	—	11,618,167
<b>Cash and cash equivalents at the end of the period/year</b>	<b>—</b>	<b>11,618,167</b>	<b>857,092</b>	<b>520,174</b>

**II NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP****1 General information**

The Target was incorporated on 21 March 2011. The Target is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is Room 701, 7th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

Prior to 21 March 2011, there was only one entity, Pacific Crown. For the purpose of the rationalisation of the Target Group structure, the Target and Pacific Crown were incorporated on 21 March 2011 and 27 January 2011 respectively by the same individual. Upon the incorporation of the Target, the individual transferred his entire interest in Pacific Crown to the Target at cost (the "Reorganisation"). The Target Group's principal activity is engaged in property development.

On 25 July 2011, the individual disposed of his entire interest in the Target at cost to Grand-Star Alliance Limited, an indirect wholly-owned subsidiary of Asia Standard International Group Limited.

**2 Principal accounting policies****(a) Basis of preparation**

The financial information has been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information is disclosed in note 3.

For the purpose of this report, the financial information has been prepared to present the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the companies comprising the Target Group for the Relevant Periods or since the respective dates of incorporation, whichever is the shorter period, as if the Target has always had interest in its subsidiary. Immediately prior to and after the Reorganisation, the property development business is held by Pacific Crown. Pursuant to the Reorganisation, the Target was established to hold Pacific Crown. The Target has not been involved in any other business and does not meet the definition of a business. The director of the Target considers it merely a capital reorganisation of Pacific Crown with no change in management of such business and the ultimate owner of the property development business remains the same, with details set out in Note 1 above. Accordingly, the financial information of the companies comprising the Target Group is presented using the carrying values of the property development business held under Pacific Crown.

Except for the Reorganisation disclosed in Note 1, the Target Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of the subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

A subsidiary is fully consolidated from the date on which control is transferred to the Target Group. It is deconsolidated from the date that control ceases.

The profit or loss on disposal of subsidiary is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill, and any related exchange reserve.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiary has been changed where necessary in the financial information to ensure consistency with the accounting policies adopted by the Target Group.

(b) ***Subsidiary***

Subsidiary is the entity (including special purpose entities) over which the Target Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group controls another entity.

In the Target's balance sheet, the investment in subsidiary is stated at cost less provision for impairment losses. Cost also includes direct attributable costs of investment. The result of subsidiary is accounted for by the Target on the basis of dividends received and receivable.

(c) ***Properties under development***

Properties under development are included in current assets and comprise leasehold land, construction costs, interest and other direct costs attributable to such properties and are stated at the lower of cost and net realisable value.

(d) ***Other receivables***

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income. Other receivables in the consolidated balance sheet are stated net of such provision.

(e) *Trade and other payables*

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(f) *Borrowing*

Borrowing is recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowing, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowing is subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the consolidated statement of comprehensive income or capitalised when applicable over the period of the borrowing using the effective interest method.

Borrowing is classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(g) *Current and deferred income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(h) *Provisions*

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(i) *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

(j) *Revenue recognition*

Rental income is recognised on a straight line basis over the terms of the respective leases.



(k) ***Borrowing costs***

Borrowing costs incurred on properties under development that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

(l) ***Functional and presentation currency***

Items included in the financial information of the company and its subsidiary is measured using the currency of the primary economic environment in which the Target or its subsidiary operates (the “functional currency”). The financial information is presented in Hong Kong dollar, which is the Target and its subsidiary’s functional and presentation currency.

(m) ***Related parties***

Related parties are individuals and companies, including group companies and key management (including close members of their families), where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**3 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is set out below.

***Income taxes***

The Target Group is subject to income taxes in Hong Kong. Judgement is required in certain provision for income taxes for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred income tax assets, which principally relate to tax losses, depends on management’s expectation of future taxable profits that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

**4 Financial risk management**

(a) ***Financial risk factors***

The Target Group’s activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest rate risk. The group’s overall risk management seeks to minimise potential adverse effects on the Target Group’s financial performance.

(i) *Credit risk*

The credit risk of the Target Group mainly arises from bank balances which are placed with banks and financial institutions and as well as credit exposures to other receivables.

The Target Group has limited its credit exposure by restricting their selection of financial institutions. Other receivables are assessed based on the credit quality of the debtors, taking into account their financial position past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored.

(ii) *Liquidity risk*

Liquidity risk is the risk that the Target Group is unable to meet its current obligations when they fall due. The Target Group closely monitors its liquidity through maintaining sufficient cash and the availability of funding from a fellow subsidiary and through an adequate amount of credit facility.

The relevant maturity groupings on the contractual undiscounted cash flows based on the remaining period at the balance sheet to the contractual maturity date of the Target Group's and the Target's financial liabilities are analysed in the financial information.

The tables below analyse the Target Group's and the Target's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual fair value without applying discounted cash flow model based on the earliest date on which the Target Group is required to pay.

	Target Group			Target	
	Within 1 year	Within 2 to 5 years	Total undiscounted cash flow	Within 1 year	Total undiscounted cash flow
At 31 March 2011					
Trade and other payables	12,538	—	12,538	5,538	5,538
Amount due to a fellow subsidiary	500,992	—	500,992	—	—
Amount due to a subsidiary	—	—	—	1	1
Bank borrowing	—	—	—	—	—
	<u>513,530</u>	<u>—</u>	<u>513,530</u>	<u>5,539</u>	<u>5,539</u>
At 31 March 2012					
Trade and other payables	85,818	—	85,818	—	—
Amount due to a fellow subsidiary	289,449,625	—	289,449,625	—	—
Amount due to the immediate holding company	3,697	—	3,697	—	—
Amount due to a subsidiary	—	—	—	5,539	5,539
Bank borrowing	<u>3,394,476</u>	<u>112,253,206</u>	<u>115,647,682</u>	<u>—</u>	<u>—</u>
	<u>292,933,616</u>	<u>112,253,206</u>	<u>405,186,822</u>	<u>5,539</u>	<u>5,539</u>

	Target Group			Target	
	Within 1 year	Within 2 to 5 years	Total undiscounted cash flow	Within 1 year	Total undiscounted cash flow
At 30 September 2012					
Trade and other payables	340,527	—	340,527	—	—
Amount due to a fellow subsidiary	285,480,076	—	285,480,076	—	—
Amount due to a subsidiary	—	—	—	13,994	13,994
Bank borrowing	<u>3,392,960</u>	<u>110,553,947</u>	<u>113,946,907</u>	<u>—</u>	<u>—</u>
	<u>289,213,563</u>	<u>110,553,947</u>	<u>399,767,510</u>	<u>13,994</u>	<u>13,994</u>

(iii) *Cash flow interest rate risk*

The Target Group's interest rate risk mainly arises from bank borrowing and amount due to the fellow subsidiary (the "Interest Bearing Liabilities").

The Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Target Group to cash flow interest rate risk.

The interest rate variation has no effect on profit and loss as the interest bearing costs are capitalised and included in properties under development.

(b) *Capital risk management*

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) *Fair value estimation*

The carrying amounts of other receivables, cash and cash equivalents, and balances with related companies are reasonable approximation of their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Group for similar financial instruments.

## 5 Other income

	For the			
	period from			
	27 January			
	2011 to	Year ended	Six months ended	
31 March	31 March	30 September		
2011	2012	2011	2012	
HK\$	HK\$	HK\$	HK\$	
		<i>(Unaudited)</i>		
Rental income	—	874,151	180,867	712,225
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Certain properties were acquired with operating leases. The rental income received is included as other income as the Target Group intends to redevelop the properties. These operating leases will not be renewed upon expiry.

## 6 Expenses by nature

	For the			
	period from			
	27 January			
	2011 to	Year ended	Six months ended	
31 March	31 March	30 September		
2011	2012	2011	2012	
HK\$	HK\$	HK\$	HK\$	
		<i>(Unaudited)</i>		
Auditor's remuneration	—	15,000	7,500	7,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 7 Director's emoluments

No director's emoluments have been paid or are payable to the director during the Relevant Periods.

## 8 Income tax expense

Hong Kong profits tax is provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2012. No provision for Hong Kong profits tax has been made for the period from 27 January 2011 to 31 March 2011, the six months ended 30 September 2011 and year ended 31 March 2012 respectively as the Target Group had no assessable profit.

The income tax on the Target Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	<b>For the period from 27 January 2011 to 31 March 2011 HK\$</b>	<b>Year ended 31 March 2012 HK\$</b>	<b>Six months ended 30 September 2011 2012 HK\$ HK\$</b>	
			<i>(Unaudited)</i>	
(Loss)/profit before income tax	(12,538)	(113,805)	(181,973)	200,138
Calculated at a tax rate of 16.5%	(2,069)	(18,778)	(30,026)	33,023
Expense not deductible for tax purposes	914	611	141	786
Tax loss not recognised	1,155	18,167	29,885	—
Utilisation of previously unrecognised tax loss	—	—	—	(19,322)
Income tax expense	—	—	—	14,487

## 9 Properties under development

	<b>31 March 2011 HK\$</b>	<b>Target Group 31 March 2012 HK\$</b>	<b>30 September 2012 HK\$</b>
Land cost	—	373,789,657	373,999,657
Development cost	—	9,713,041	16,820,235
	—	382,502,698	390,819,892
Development costs include the following cost capitalised:			
Bank borrowing interest	—	284,079	1,986,475
Interest on amount due to a fellow subsidiary	—	7,306,151	11,539,436
	—	7,590,230	13,525,911

At 30 September 2012, properties under development amounting to HK\$316,350,000 (31 March 2012: HK\$309,850,000) were pledged as a security for the bank borrowing (note 14).

## 10 Cash and cash equivalents

The carrying amounts of cash and cash equivalents approximate their fair values and are denominated in Hong Kong dollar.

## 11 Amount due from/to immediate holding company

The amounts are unsecured, interest-free and have no fixed terms of repayment. Their carrying amounts approximate their fair values and are denominated in Hong Kong dollar.

## 12 Amount due to a fellow subsidiary

The amount is unsecured and has no fixed terms of repayment. The amount bears interest at a rate of 2.0% below prime rate per annum. The carrying amount approximates its fair value and is denominated in Hong Kong dollar.

## 13 Trade and other payables

	<b>31 March</b>	<b>Targe Group</b>	<b>30 September</b>
	<b>2011</b>	<b>31 March</b>	<b>2012</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade payables	—	—	280,000
Accrued expenses	12,538	55,818	60,527
Other payables	—	30,000	—
	<u>12,538</u>	<u>85,818</u>	<u>340,527</u>

The aging analysis of trade payables is as follows:

	<b>31 March</b>	<b>31 March</b>	<b>30 September</b>
	<b>2011</b>	<b>2012</b>	<b>2012</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
0 — 60 days	—	—	<u>280,000</u>

The carrying amounts of trade and other payables approximate their fair values and are denominated in Hong Kong dollar.

## 14 Bank borrowing

The bank loan held by Pacific Crown carries interest at 2.9% above the Hong Kong Interbank Offered Rate per annum. The bank loan is secured by certain properties under development (note 9) and corporate guarantee in favour of the bank has been provided by a fellow subsidiary. The effective interest rate of the bank loan as at balance sheet date is 3.2% per annum (31 March 2012: 3.2%). The bank loan is repayable between two to five years and is denominated in Hong Kong dollar. The carrying amount of the borrowing approximates its fair value.

15 **Deferred income tax**

The Target Group did not recognise deferred income tax asset of HK\$19,322 as at 31 March 2012 (31 March 2011: HK\$1,155) in respect of tax losses carried forward amounting to HK\$117,100 as at 31 March 2012 (31 March 2011: HK\$7,000). All unrecognised tax losses were fully utilised against assessable profit as at 30 September 2012.

16 **Subsidiary**

	31 March	Target	30 September
	2011	31 March	2012
	HK\$	2012	2012
	HK\$	HK\$	HK\$
Unlisted shares, at cost	1	1	1
Amount due to a subsidiary	(1)	(5,539)	(13,994)
	—	(5,538)	(13,993)

Details of the principal subsidiary as at 31 March 2011, 31 March 2012 and 30 September 2012 are as follow:

Name	Principal activity	Particulars of issued share capital	Interest held
<i>Incorporated in Hong Kong</i>			
Pacific Crown Limited	Property development	1 share of HK\$1 each	100%

The amount is unsecured, interest free and repayable on demand. The carrying amount approximates its fair value and is denominated in Hong Kong dollar.

17 **Share capital**

	31 March	Target	30 September
	2011	31 March	2012
	HK\$	2012	2012
	HK\$	HK\$	HK\$
Authorised:			
50,000 shares of US\$1 each	390,000	390,000	390,000
Issued and fully paid:			
1 share of US\$1 each	8	8	8

The Target was incorporated on 21 March 2011 with an authorised share capital of HK\$390,000, divided into 50,000 ordinary share of US\$1 each. One share of US\$1 each was issued at par and fully paid on 31 March 2011.

## 18 Operating lease arrangements

At 31 March 2011, 31 March 2012 and 30 September 2012, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Target Group		
	31 March	31 March	30 September
	2011	2012	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	—	684,000	684,000
In the second to fifth year inclusive	—	1,069,000	727,000
	<u>—</u>	<u>1,753,000</u>	<u>1,411,000</u>

## 19 Related party transactions

In addition to the related party information shown elsewhere in the financial information, the following transactions were carried out with related parties:

	For the period from 27 January			
	2011 to 31 March	Year ended 31 March	Six months ended 30 September	
	2011	2012	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Interest expense paid to a fellow subsidiary (note 12)	—	7,306,151	2,011,806	4,233,285
Management fee paid to a fellow subsidiary (note a)	—	936,000	342,000	468,000
	<u>—</u>	<u>936,000</u>	<u>342,000</u>	<u>468,000</u>

*(Unaudited)*

*Note:*

- (a) Management fee was charged by a fellow subsidiary for services rendered to the Target Group at mutually agreed terms.

## 20 Ultimate and immediate holding companies

Since the ownership change of the Target in July 2011, the immediate holding company became Grand-Star Alliance Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company became Asia Orient Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong.

Prior to July 2011, the ultimate controlling party of the Target is Mr. E. Chan.



**21 Subsequent event**

There are no significant subsequent events which have occurred to the Target Group subsequent to 30 September 2012.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target or its subsidiary in respect of any period subsequent to 30 September 2012 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Target Group in respect of any period subsequent to 30 September 2012.

Yours faithfully,

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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For illustrative purpose only, set out below is the unaudited pro forma statement of assets and liabilities of the Enlarged Group to show the effect of the proposed acquisition on the assets and liabilities of the Enlarged Group as if it had taken place as at 30 September 2012 (the “Unaudited Pro Forma Financial Information”).

The Unaudited Pro Forma Financial Information has been prepared on the basis as set out in notes (iii) to (v) below. It has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the proposed acquisition actually been completed as at 30 September 2012.

**I.      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

	<b>Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2012 HK\$'000 (note (i))</b>	<b>Pro forma adjustments Consolidated statement of assets and liabilities of the Target as at 30 September 2012 HK\$'000 (note (ii))</b>	<b>Other pro forma adjustments HK\$'000</b>	<i>Note</i>	<b>Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2012 HK\$'000</b>
<b>Non-current assets</b>					
Property, plant and equipment	2,660,218	—	391,874	(iv)	3,052,092
Available-for-sale investments	200,382	—	—		200,382
	<u>2,860,600</u>	<u>—</u>	<u>391,874</u>		<u>3,252,474</u>
<b>Current assets</b>					
Properties under development	—	390,820	(390,820)		—
Inventories	2,249	—	—		2,249
Trade and other receivables	122,512	777	—		123,289
Financial assets at fair value through profit or loss	1,219,366	—	—		1,219,366
Bank balances and cash	120,105	520	(36,593)	(iii)(b)	84,032
	<u>1,464,232</u>	<u>392,117</u>	<u>(427,413)</u>		<u>1,428,936</u>

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**APPENDIX III                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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	<b>Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2012 HK\$'000 (note (i))</b>	<b>Pro forma adjustments Consolidated statement of assets and liabilities of the Target as at 30 September 2012 HK\$'000 (note (ii))</b>	<b>Other pro forma adjustments HK\$'000</b>	<i>Note</i>	<b>Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2012 HK\$'000</b>
<b>Current liabilities</b>					
Trade and other payables	64,739	533	—		65,272
Derivative financial instruments	1,779	—	—		1,779
Bank borrowings	600,912	—	—		600,912
Current income tax payable	38,407	15	—		38,422
Amount due to a fellow subsidiary	—	285,480	(285,480)	<i>(iii)(a)</i>	—
	<u>705,837</u>	<u>286,028</u>	<u>(285,480)</u>		<u>706,385</u>
Net current assets	<u>758,395</u>	<u>106,089</u>	<u>(141,933)</u>		<u>722,551</u>
Total assets less current liabilities	<u>3,618,995</u>	<u>106,089</u>	<u>249,941</u>		<u>3,975,025</u>
<b>Non-current liabilities</b>					
Long term borrowings	981,319	106,030	250,000	<i>(iii)(a)</i>	1,337,349
Deferred income tax liabilities	41,929	—	—		41,929
	<u>1,023,248</u>	<u>106,030</u>	<u>250,000</u>		<u>1,379,278</u>
Net assets	<u>2,595,747</u>	<u>59</u>	<u>(59)</u>		<u>2,595,747</u>

**Notes to the Unaudited Pro Forma Financial Information**

- (i) The balances are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 September 2012 as set out in the published interim report of the Company for the six months ended 30 September 2012.
- (ii) The balances are extracted from the consolidated balance sheet of the Target as at 30 September 2012 as set out in Appendix II to this circular.

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## APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- (iii) The pro forma adjustments reflect the following:
- (a) Pursuant to the Sale and Purchase Agreement, ASHHL agreed to acquire the entire issued share capital of Victor Empire from Grand Star at the Share Consideration of HK\$50,000 and the assignment of the Inter-company Loan from ASF at the Loan Consideration of HK\$285,480,076 (subject to adjustment). The aggregate consideration of HK\$285,530,076 is to be satisfied by cash, which is financed by internal resources of the Group and bank borrowing of HK\$250,000,000. The bank borrowing will be drawn out of a HK\$300 million 4 years term facility granted by Bank of China (Hong Kong) Limited to the Group in October 2012. It is guaranteed by the Company and secured by an existing hotel property of the Group.
  - (b) The settlement of estimated transaction costs related to the acquisition of HK\$1,063,000 resulting a net cash outflow of HK\$36,593,000.
- (iv) The pro forma adjustment represents the acquisition of the Property Units which are reclassified as property, plant and equipment following the Board's decision to change the use of the Property Units from properties under development to hotel properties. For the purpose of compiling this pro forma statement of assets and liabilities of the Enlarged Group, the Property Units are recorded at their cost to the Group of HK\$390 million as at 30 September 2012 based on the fair value of the Property Units plus the estimated transaction costs related to the acquisition.
- (v) No other adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 September 2012.

**II. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION  
TO THE DIRECTORS OF ASIA STANDARD HOTEL GROUP LIMITED**

We report on the unaudited pro forma financial information set out on pages III-1 to III-3 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 29 November 2012 (the "Circular") of Asia Standard Hotel Group Limited (the "Company"), in connection with the proposed acquisition of the entire issued share capital of Victor Empire Limited (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-3 of the Circular.

**Respective Responsibilities of Directors of the Company and the Reporting Accountant**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated statement of assets and liabilities as at 30 September 2012 with the interim report of the Company for the six months ended 30 September 2012, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2012 or any future date.

**Opinion**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, 29 November 2012

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP**

Victor Empire is a limited liability company incorporated in the British Virgin Islands and the principal business activity of which is investment holdings. Victor Empire acquired 100% of Pacific Crown on 21 March 2011. The principal activity of the Target Group is property development.

Between the first half of 2011 and early 2012, the Target Group acquired the Property Units that comprised residential units and retail shops located at Nos. 10-16 Kimberley Street, Tsimshatsui, Kowloon, Hong Kong. The acquisition costs of these Property Units comprise a total sum paid to the vendor of HK\$356,754,895; and incidental expenses including stamp duty, commission and expense reimbursement totaling HK\$17,244,762.

Save for the rental income during the Relevant Periods, the Target Group did not have any other income generating activity.

*Financial and liquidity position*

The Target Group has a consolidated net liabilities position of HK\$12,530 and HK\$126,335 as at 31 March 2011 and 31 March 2012, respectively, and as at 30 September 2012, it has a consolidated net assets of HK\$59,316.

As at 31 March 2011, 31 March 2012 and 30 September 2012, the Target Group had an amount due to a fellow subsidiary of approximately HK\$0.5 million, HK\$289.4 million and HK\$285.5 million respectively. These amounts were unsecured, have no fixed term of repayment and carried an interest of 2% below prime rate per annum.

As at 31 March 2011, 31 March 2012 and 30 September 2012, the Target Group borrowing amounted to Nil, HK\$106 million and HK\$106 million respectively. The borrowings comprised a 3-year secured bank loan in the amount of HK\$106 million that carries interest at 2.9% above the Hong Kong Interbank Offered Rate per annum. The effective interest rate of the bank loan as at balance sheet date is 3.2% per annum (31 March 2012: 3.2%). The bank loan as at 30 September 2012 is repayable between two to five years and is denominated in Hong Kong dollar.

The aggregate net book value of Property Units pledged as collateral for banking facilities of the Target Group as at 31 March 2011, 31 March 2012 and 30 September 2012 were Nil, HK\$309.9 million and HK\$ 316.4 million respectively.

*Exchange rate exposure*

For the Relevant Periods, the Target Group did not have any foreign exchange exposure.

*Employees*

For the Relevant Periods, the Target Group did not have any employee.

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**APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP**

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*Significant investments and material acquisitions and disposal*

Except for the purchase of Property Units, the Target Group did not have any other investments, material acquisition and disposal for the Relevant Periods.

*Contingent liabilities*

As at 31 March 2011, 31 March 2012 and 30 September 2012, the Target Group did not have any contingent liabilities.



*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Prudential Surveyors (Hong Kong) Limited, an independent professional valuer, in connection with the valuation of the property which is to be held by the Company as at 30 September 2012.*

31 October 2012

Asia Standard Hotel Group Limited  
30/F, Asia Orient Tower  
Town Place  
No.33 Lockhart Road  
Hong Kong

Dear Sirs,

**Re: Shop Nos. 1, 2 and 3 on G/F, 1/F, 2/F (including Flat Roof and Canopy thereof), 3/F, 4/F, 5/F, 6/F, 7/F and Flat Roof, Cheong Lok Lau, No. 10 Kimberley Street; Shops A, B and C on G/F, 1/F, 2/F (including Flat Roof and Canopy), 3/F, 4/F, 6/F, 7/F and Roof, No. 12 Kimberley Street; 1/F, 2/F, 3/F and Roof, No. 14 Kimberley Street and 2/F and 3/F, No. 16 Kimberley Street, Tsim Sha Tsui, Kowloon (the “Properties”)**

#### **INSTRUCTION**

In accordance with the instruction of **Asia Standard Hotel Group Limited** (the “Company”) for us to value the Properties, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 30th September 2012 (the “Date of Valuation”).

This letter, forming part of our valuation report, identifies the Properties being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

#### **BASIS OF VALUATION**

Our valuation of the property interests in the Properties are our opinion of the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.”

The market value is the best price reasonably obtained in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated for deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market values of the Properties are also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation has been carried out in accordance with The Hong Kong Institute of Surveyors (“HKIS”) Valuation Standards on Properties (1st Edition 2005) issued by the HKIS and the generally accepted valuation procedures and practices of professional surveyors.

### **VALUATION METHODOLOGY**

We have valued the Properties by using the Direct Comparison Method assuming sale of these Properties in its existing state by making reference to the market transactions as available in the market.

### **VALUATION ASSUMPTIONS**

In valuing the property interests, we have assumed that the Company has free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired term granted subject to payment of government rent and that all requisite land premium/purchase consideration otherwise payable have been fully settled.

Our valuation has also been made on the assumption that the Properties are to be sold in the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements that would serve to affect their values. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Properties and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions, and outgoings of an onerous nature that could adversely affect their value.

For the subject shops, office and residential units of Nos.10-12 Kimberley Street (hereafter “Nos.10-12 Kimberley Street”), we have assessed Nos.10-12 Kimberley Street on the basis of its existing state and assumed that the entire ownership of Nos.10-12 Kimberley Street can be obtained under Land (Compulsory Sale for Redevelopment) Ordinance as Nos.10-12 Kimberley Street with current ownership of 95%, has exceeded the 90% of ownership for application threshold for compulsory sale order. Hence, in the course of valuation, we have assumed the property will be ready for redevelopment and we have taken into account the acquisition cost of remaining 5% of ownership.

For the subject residential units of Nos.14-16 Kimberley Street (hereafter “Nos.14-16 Kimberley Street”), we have assessed the value of Nos.14-16 Kimberley Street on the basis of its existing state and made reference to the market transactions.

Having considered the recent government policy in property markets, we have opined that the valuation report shall remain valid and updated up to the Latest Practicable Date.

#### **TITLE INVESTIGATION**

We have been shown copies of various documents relating to the property interests and, we have caused searches at the Land Registry. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments. All documents and leases have been used for reference only.

Moreover, we have not been provided with any legal opinion regarding to the titles to the property interests.

#### **LIMITING CONDITIONS**

We have inspected the exterior of the Properties on 25th October 2012. However, no structural survey has been made nor have any tests been carried out on any of the services provided in the Properties. We are, therefore, not able to report that the Properties is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

No detailed on-site measurements have been made during our inspection. Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents available to us and are therefore approximations only.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion dates of buildings, particulars of occupancy, site and floor plans, site and floor areas and other relevant matters in the identification of the Properties in which the Company has valid interest. We have not seen original planning consents and have assumed that the Properties have been erected and are being occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. We considered that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any information has been withheld.

Yours faithfully,

For and on behalf of

**PRUDENTIAL SURVEYORS (HONG KONG) LIMITED**

**Leo S D Cheung**

*MHKIS MRICS RPS(GP) BSc MSc MFin*

*Director*

LC/YW/SL

Mr. Leo S. D. Cheung is a Registered Professional Surveyor (GP) with 18 years experience in valuation of properties in HKSAR, Macau, mainland China and the Asia Pacific Region. Mr. Cheung is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.

**VALUATION CERTIFICATE OF PROPERTY  
ASIA STANDARD HOTEL GROUP LIMITED**

Property <sup>(1) (2)</sup>	Description	Particulars of Occupancy	Market Value as at 30th September 2012																														
Shop Nos. 1, 2 and 3 on G/F, 1/F, 2/F (including the Flat Roof and Canopy thereof), 3/F, 4/F, 5/F, 6/F, 7/F and Flat Roof, Cheong Lok Lau, No. 10 Kimberley Street; Shops A, B and C on G/F, 1/F, 2/F (including Flat Roof & Canopy), 3/F, 4/F, 6/F, 7/F and Roof, No. 12 Kimberley Street; 1/F, 2/F, 3/F and Roof, No. 14 Kimberley Street and 2/F and 3/F, No. 16 Kimberley Street, Tsim Sha Tsui, Kowloon (the "Properties" which are all owned by Pacific Crown Enterprises Limited)	The subject properties comprise various shops, office and residential units of 2 building blocks, namely, Nos. 10-12 Kimberley Street and Nos. 14-16 Kimberley Street respectively.  Nos. 10-12 Kimberley Street is a 8-storey composite building, planned to have shops on ground floor, office on 1/F and domestic units on 2/F to 7/F, with main lift lobby on ground floor entering from Kimberley Street, completed in 1965.  The total saleable area of all units of Nos. 10-12 Kimberley Street which are owned by Pacific Crown Enterprises Limited is 12,573 s.f (1,168.1 s.m.) with flat roof / roof 1,453 s.f. (135.0 s.m.), as measured from registered floor plan and as per information from Rating and Valuation Department.  Nos. 10-12 Kimberley Street is held under the Conditions of Regrant No. 7972 and No. 7846 respectively. Both lots are for a term of 150 years commencing from 24th June 1888. The government rents of Kowloon Inland Lot Nos.8669 and 8753 are HK\$162 and HK\$160 respectively.  The registered site areas of No.10 Kimberley Street and No.12 Kimberley Street are 1,410 s.f. or thereabouts and 1,400 s.f. or thereabouts respectively. They fall within the town planning zone of "Commercial (6)" of Tsim Sha Tsui Outline Zoning Plan No.S/K1/126.	The properties are partly vacant and tenanted. The tenancies are shown as follows:-  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Units</th> <th style="text-align: right;">Monthly Lease (HK\$)</th> <th style="text-align: right;">Rental Term</th> </tr> </thead> <tbody> <tr> <td>Whole block of No.10 Kimberley Street</td> <td style="text-align: right;">Vacant</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Shop A, G/F, No.12 Kimberley Street</td> <td style="text-align: right;">31,000.00<sup>(#)</sup></td> <td style="text-align: right;">12-3-2011 to 11-3-2014</td> </tr> <tr> <td>Shop B, G/F, No.12 Kimberley Street</td> <td style="text-align: right;">26,000.00<sup>(#)</sup></td> <td style="text-align: right;">1-8-2010 to 31-7-2015</td> </tr> <tr> <td>Shop C on G/F, 1/F-4/F, 6/F &amp; 7/F, No.12 Kimberley Street</td> <td style="text-align: right;">Vacant</td> <td style="text-align: center;">—</td> </tr> <tr> <td>1/F -3/F and Roof, No.14 Kimberley Street</td> <td style="text-align: right;">Vacant</td> <td style="text-align: center;">—</td> </tr> <tr> <td>2/F, No.16 Kimberley Street</td> <td style="text-align: right;">Vacant</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Rooms A, B, C and E, 3/F, No. 16 Kimberley Street</td> <td style="text-align: right;">Vacant</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Room D, 3/F, No.16 Kimberley Street</td> <td style="text-align: right;">3,200.00<sup>(*)</sup></td> <td style="text-align: right;">Monthly tenancy</td> </tr> <tr> <td><b>Total :</b></td> <td style="text-align: right;"><u>60,200.00</u></td> <td></td> </tr> </tbody> </table>	Units	Monthly Lease (HK\$)	Rental Term	Whole block of No.10 Kimberley Street	Vacant	—	Shop A, G/F, No.12 Kimberley Street	31,000.00 <sup>(#)</sup>	12-3-2011 to 11-3-2014	Shop B, G/F, No.12 Kimberley Street	26,000.00 <sup>(#)</sup>	1-8-2010 to 31-7-2015	Shop C on G/F, 1/F-4/F, 6/F & 7/F, No.12 Kimberley Street	Vacant	—	1/F -3/F and Roof, No.14 Kimberley Street	Vacant	—	2/F, No.16 Kimberley Street	Vacant	—	Rooms A, B, C and E, 3/F, No. 16 Kimberley Street	Vacant	—	Room D, 3/F, No.16 Kimberley Street	3,200.00 <sup>(*)</sup>	Monthly tenancy	<b>Total :</b>	<u>60,200.00</u>		HK\$390,000,000.00.
Units	Monthly Lease (HK\$)	Rental Term																															
Whole block of No.10 Kimberley Street	Vacant	—																															
Shop A, G/F, No.12 Kimberley Street	31,000.00 <sup>(#)</sup>	12-3-2011 to 11-3-2014																															
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Rooms A, B, C and E, 3/F, No. 16 Kimberley Street	Vacant	—																															
Room D, 3/F, No.16 Kimberley Street	3,200.00 <sup>(*)</sup>	Monthly tenancy																															
<b>Total :</b>	<u>60,200.00</u>																																
10/10 equal and undivided share of Kowloon Inland Lot No. 8669; 9/10 equal and undivided share of Kowloon Inland Lot No. 8753; 7/11 equal and undivided share of Kowloon Inland Lot No. 9254 and 2/4 equal and undivided share of Kowloon Inland Lot No. 8590																																	

<sup>(#)</sup> Monthly rental is inclusive of government rent but exclusive of rates, management fees and all other outgoings.

<sup>(\*)</sup> Monthly rental is inclusive of government rent, rates and management fees.

Property <sup>(1)</sup> <sup>(2)</sup>	Description	Particulars of Occupancy	Market Value as at 30th September 2012
	<p>Under the Conditions of Regrant No.7972 and the Conditions of Regrant No.7846, Nos. 10-12 Kimberley Street should not be used for industrial purposes and no factory building shall be erected thereon.</p>		
	<p>Subject to approval be obtained from relevant government departments, Nos. 10-12 Kimberley Street is capable of being redeveloped into office or hotel development with a total gross floor area of approximately 33,720 s.f. (3,132.7 s.m.).</p>		
	<p>Nos. 14-16 Kimberley Street is a 4-storey tenement block, planned to have residential units on G/F to 3/F, which the existing ground floor is being used for shops with main entrance entering from Kimberley Street, completed in 1952.</p>		
	<p>The total saleable area of all units of Nos. 14-16 Kimberley Street which are owned by Pacific Crown Enterprises Limited is 4,750 s.f. (441.3 s.m.) with flat roof / roof 1,688 s.f. (156.8 s.m.), as measured from registered floor plan and as per information from Rating and Valuation Department.</p>		
	<p>Nos. 14-16 Kimberley Street is held under Conditions of Regrant No. 8637 and No. 7628 respectively. Both lots are for a term of 150 years commencing from 24th June 1888. The government rents of Kowloon Inland Lot Nos. 9254 and 8590 are HK\$160 and HK\$1.6 respectively.</p>		

Property <sup>(1)</sup> <sup>(2)</sup>	Description	Particulars of Occupancy	Market Value as at 30th September 2012
	<p>The registered site areas of No.14 Kimberley Street and No.16 Kimberley Street are 1,400 s.f. or thereabouts and 1,402 s.f. or thereabouts respectively. They fall within the town planning zone of "Commercial (6)" of Tsimshatsui Outline Zoning Plan No.S/K1/126.</p> <p>Under the Conditions of Regrant No.8637 and the Conditions of Regrant No.7628, Nos. 14-16 Kimberley Street should not be used for industrial purposes and no factory building shall be erected thereon.</p>		

## Notes:

1. *The registered owners of the Properties are Pacific Crown Enterprises Limited via Memorial Nos.11090202320036, 11090202320049, 12032702250122, 11090202320055, 11090202320062, 11090202320081, 11090202320093, 11090202320107, 11090202320113, 11090202320128, 11090202320136, 11090202320146, 11090202320152, 11090202320162, 11090202320172, 11090202320185, 11090202320197, 11090202320203, 1109020232021, 11103101950047, 11102002290020, 11102002290035, 11102002290047 and 11102002290057 respectively.*

2. *Encumbrances of the properties are as follows:-*

*Order No.UBZ/U17-23/0007/08 by the Building Authority under Section 24(1) of the Buildings Ordinance dated 23rd February 2009 vide Memorial No.09123100420410 (Re: 5/F of No.10 Kimberley Street)*

*Superseding Order No.CBZ/TF/027230/08K under S.24(1) of the Buildings Ordinance by the Building Authority dated 13th October 2011 vide Memorial No.11102500430404. (Re: 7/F & flat roof of No.10 Kimberley Street)*

*Order No.UBZ/U17-24/0005/08 by the Building Authority under Section 24(1) of the Buildings Ordinance dated 23rd February 2009 vide Memorial No.09123100420443 (Re: 2/F including flat roof & canopy thereto of No.12 Kimberley Street)*

*Order No.UBZ/U17-24/0006/08 by the Building Authority under Section 24(1) of the Buildings Ordinance dated 23rd February 2009 vide Memorial No.09123100420458 (Re: 3/F of No.12 Kimberley Street)*

*Order No.UBZ/U17-24/0007/08 by the Building Authority under Section 24(1) of the Buildings Ordinance dated 23rd February 2009 vide Memorial No.09123100420464 (Re: 4/F of No.12 Kimberley Street)*

*Order No.UBZ/U17-24/0010/08 by the Building Authority under Section 24(1) of the Buildings Ordinance dated 23rd February 2009 vide Memorial No.09123100420486 (Re: 7/F & roof of No.12 Kimberley Street)*

*A seal copy of Notice of Application to Lands Tribunal for an Order for Sale dated 11091200700011 in favour of Pacific Crown Enterprises Limited (Applicant), Man Yu On and Yee Yin Yin (1st Respondents) and Chow Gavin Dat Yin and Chow Maxine Gar Yue (2nd Respondents) vide Memorial No.11091200700011 (remarks: under Land (Compulsory Sale for Redevelopment) Ordinance of Application No.LDCS 32000 of 2011) (Nos.10-12 Kimberley Street)*

*Mortgage dated 29th February 2012 and 15th March 2012 in favour of Bank of China (Hong Kong) Limited vide Memorial Nos.12031902440244 and 12032902080113 respectively for all moneys. (Nos.10-12 Kimberley Street)*

*Assignment of Rentals dated 29th February 2012 and 15th March 2012 in favour of Bank of China (Hong Kong) Limited vide Memorial Nos.12031902440253 and 12032902080127 respectively. (Nos.10-12 Kimberley Street)*

*Order No. D00258/K/11 by the Building Authority under Section 26 of the Building Ordinance for the exterior of the building dated 30th August 2011 vide Memorial No.11091500780611. (Re: No.14 Kimberley Street)*



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or pursuant to the Model Code were as follows:

### (I) Long position in shares

#### (a) *The Company*

Director	Capacity	Number of Shares held	Total	Approximate percentage shareholding (%)
Mr. Poon Jing ("Mr. Poon")	Beneficial owner	50,050		
	Interest of controlled corporations	1,132,669,492 (Note)	1,132,719,542	73.08

*Note:* By virtue of Mr. Poon's interest in the Company through AO and its subsidiaries as disclosed under the heading "Disclosure of Interest by Substantial Shareholders" below, Mr. Poon is deemed to be interested in the Shares held by the subsidiaries of AO.

(b) *Associated corporations*

<b>Associated corporation</b>	<b>Director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Total</b>	<b>Approximate percentage shareholding (%)</b>
AO (Note 1)	Mr. Poon	Beneficial owner	205,026,822		
		Interest of controlled corporations	133,068,271		
		Family interest	4,873,940	342,969,033	48.02
ASI (Note 2)	Mr. Poon	Beneficial owner	1,714,337		
		Interest of controlled corporations	626,059,415	627,773,752	50.75
Mark Honour Limited	Mr. Fung	Beneficial owner	9	9	0.01

*Notes:*

1. By virtue of Mr. Poon's controlling interest (48.02%) in AO, he is deemed to be interested in the shares held by AO.
2. By virtue of Mr. Poon's controlling interest in AO, he is deemed to be interested in the shares of ASI held by subsidiaries of AO.

## (II) Long positions in underlying shares and debentures

*Interests in underlying shares*a) *The Company*

As at the Latest Practicable Date, details of the share options granted to the Directors under the share option scheme of the Company adopted on 28 August 2006 are as follows:

<b>Director</b>	<b>Date of grant</b>	<b>Exercise price (HK\$)</b>	<b>Exercise Period</b>	<b>Number of underlying shares subject outstanding options</b>
Mr. Fung	29 March 2007	1.296	29 March 2007 to 28 March 2017	8,000,000
Dr. Lim Yin Cheng ("Dr. Lim")	2 April 2007	1.300	2 April 2007 to 1 April 2017	8,000,000
Woo Wei Chun, Joseph ("Mr. Woo")	2 April 2007	1.300	2 April 2007 to 1 April 2017	8,000,000

b) *Associated corporation — AO*

<b>Director</b>	<b>Number of underlying shares subject outstanding options</b>
Dr. Lim	2,126,301
Mr. Fung	2,126,301
Mr. Woo	3,469,228

*Note:* Options were granted on 29 March 2007 and exercisable during the period from 29 March 2007 to 28 March 2017 at an exercise price of HK\$1.4315 (as adjusted) per share.

c) *Associated corporation — ASI*

<b>Director</b>	<b>Number of underlying shares subject outstanding options</b>
Mr. Poon	515,544
Dr. Lim	2,062,176
Mr. Fung	2,062,176

*Note:* Options were granted on 30 March 2005 and exercisable during the period from 30 March 2005 to 29 March 2015 at an exercise price of HK\$3.15 (as adjusted) per share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors:

- (a) had any direct or indirect interests in any assets which have since 31 March 2012 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group; and
- (b) was materially interested in any contracts or arrangements entered into by any members of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

### 3. DISCLOSURE OF INTEREST BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (the “**Substantial Shareholders**”) (other than the Directors or the chief executive of the Company) had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company’s and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### Long positions in shares

Name of Substantial Shareholder	Number of shares held	Approximate percentage shareholding (%)
Asia Standard International Limited (“ <b>ASIL</b> ”)	716,979,512	46.26
Asia Standard Development (Holdings) Limited (“ <b>ASDHL</b> ”)	367,962,684	23.74
ASI ( <i>Note 1</i> )	1,085,950,639	70.06
Asia Orient Holdings (BVI) Limited ( <i>Note 2</i> )	1,132,669,492	73.08
AO ( <i>Note 3</i> )	1,132,669,492	73.08

*Notes:*

- (1) ASDHL and ASIL are the wholly owned subsidiaries of ASI. ASI is deemed to be interested in and duplicate the interest held by ASDHL and ASIL.
- (2) Asia Orient Holdings (BVI) Limited and its subsidiaries together hold more than one-third of the issued shares of ASI and is deemed to be interested in and duplicate the interest held by ASI.
- (3) Asia Orient Holdings (BVI) Limited is a wholly owned subsidiary of AO. AO is deemed to be interested in and duplicate the interest held by Asia Orient Holdings (BVI) Limited and its subsidiaries.
- (4) Mr. Fung, Dr. Lim and Mr. Poon are the executive directors of the Company, AO and ASI. Mr. Poon Hai and Mr. Leung Wai Keung are the executive director and the independent non-executive director respectively of ASI and the Company. Mr. Hung Yat Ming is the independent non-executive director of AO and the Company.

#### **4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

The Directors confirm that they and their associates have no interests in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

#### **5. MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within the two years preceding the date of this circular and is or may be material:

1. the sale and purchase agreements dated 1 June 2012 and 1 August 2012 entered into between an indirect wholly-owned subsidiary of the Company and certain individuals and companies in respect of the sale and purchase of the property situated at Nos. 8A and 8B, Wing Hing Street, Hong Kong for a total consideration of approximately HK\$177.11 million; and
2. the Sale and Purchase Agreement.

#### **6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## **7. QUALIFICATIONS OF THE EXPERTS**

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
VC Capital	a corporation licenced to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Prudential Surveyors (Hong Kong) Limited	Professional Surveyors and Valuers

Each of VC Capital, PricewaterhouseCoopers and Prudential Surveyors (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of the circular with the inclusion herein of its reports or letters or references to its name in the form and context in which they respectively appear.

None of VC Capital, PricewaterhouseCoopers and Prudential Surveyors (Hong Kong) Limited has any shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of VC Capital, PricewaterhouseCoopers and Prudential Surveyors (Hong Kong) Limited had any direct or indirect interests in any assets which have since 31 March 2012 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

## **8. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## **9. GENERAL**

The secretary of the Company is Mr. Lee Tai Hay, Dominic, fellow member of Hong Kong Institute of Chartered Secretaries.

The qualified accountant of the Company is Mr. Woo Wei Chun, Joseph, an associate member of Hong Kong Institute of Certified Public Accountants.

The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited, 26 Burnaby Street, Hamilton HM 11, Bermuda and the Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company has its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

The English text of this circular prevails over the Chinese text.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's head office and principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong up to and including the date of the SGM:

- (i) the Company's memorandum of association and bye-laws;
- (ii) the Sale and Purchase Agreement;
- (iii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (iv) the accountant's reports as set out in appendix II to this circular;
- (v) the report on unaudited pro forma financial information as set out in appendix III to this circular;
- (vi) the property valuation report of Prudential Surveyors (Hong Kong) Limited as set out in appendix V to this circular;
- (vii) the letters of consent referred to under the section headed "Qualification of the Experts" in this appendix;
- (viii) the annual reports of the Company for each of the two years ended 31 March 2011 and 31 March 2012;
- (ix) the letter from the Independent Board Committee set out in this circular;
- (x) the letter from VC Capital to the Independent Board Committee and the Independent Shareholders set out in this Circular; and
- (xi) this circular.

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## NOTICE OF SGM

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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)

**NOTICE IS HEREBY GIVEN** that the Special General Meeting (the “**SGM**”) of Asia Standard Hotel Group Limited (the “**Company**”) will be held at Empire Grand Room, 1st Floor, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on Monday, 17 December 2012 at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution:

#### ORDINARY RESOLUTION

“**THAT:**

- (A) the Sale and Purchase Agreement (as defined in the circular (the “**Circular**”) of the Company dated 29 November 2012), a copy of which has been produced by the chairman of the meeting and marked “A” for identification, and the transactions contemplated thereunder be and are hereby approved;
- (B) the terms of the Deed of Assignment (as defined in the Circular), a copy of which has been produced by the chairman of the meeting and marked “B” for identification, be and are hereby approved; and
- (C) the Directors be and are hereby authorized to do all things and acts and sign all documents (under hand or under seal) which they consider desirable or expedient to implement and/or give effect to any matter relating to or in connection with the Transaction.”

By Order of the Board  
**Lee Tai Hay, Dominic**  
*Company Secretary*

Hong Kong, 29 November 2012

*Head office and principal place of  
business in Hong Kong:*

30th Floor  
Asia Orient Tower  
Town Place  
33 Lockhart Road  
Wanchai, Hong Kong

\* *For identification purposes only*



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## NOTICE OF SGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's head office and principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Tower Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of any share of the Company, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the person whose name stands first on the register of members of the Company in respect of such shares, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
4. The register of members of the Company will be closed from Tuesday, 11 December 2012 to Friday, 14 December 2012 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 11 December 2012.