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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Standard Hotel Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO PARTICIPATION IN PROPERTY DEVELOPMENT PROJECTS WITH ASIA STANDARD INTERNATIONAL GROUP LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

ALTUS CAPITAL LIMITED

A letter from the Board of the Company is set out on pages 3 to 11 of this circular. A letter from the Independent Board Committee containing its recommendations in respect of the Transaction to the Independent Shareholders is set out on page 12 of this circular. A letter from Altus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 31 of this circular.

A notice convening the SGM of the Company to be held at Empire Club Lounge, 2nd Floor, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on Monday, 29 May 2017, at 11:00 a.m. is set out on pages 54 to 55 of this circular. A proxy form for use at the SGM is also enclosed. Whether or not you intend to attend and vote in person at the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

* For identification purpose only

13 May 2017

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DEFINITIONS

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

“AO”	Asia Orient Holdings Limited (Stock Code: 214), an exempted company incorporated in Bermuda with limited liability whose shares are listed on the Main Board, and the controlling shareholder of ASI
“ASI”	Asia Standard International Group Limited (Stock Code: 129), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board and a 51.79% owned subsidiary of AO
“Board”	the board of Directors
“Company”	Asia Standard Hotel Group Limited (Stock Code: 292), an exempted company incorporated in Bermuda with limited liability whose shares are listed on the Main Board and a 64.35% owned subsidiary of ASI
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Ip Chi Wai and Mr. Hung Yat Ming, the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Transaction
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction
“Independent Shareholders”	Shareholders other than Mr. Poon Jing, AO, ASI and their respective associates

DEFINITIONS

“Investment Framework”	the investment framework agreement dated 30 March 2017 entered into between ASI and the Company in connection with the establishment of a 50:50 Investment Vehicle by the Parties
“Investment Vehicle”	an investment vehicle to be established as a limited liability company by the Parties pursuant to the Investment Framework
“Latest Practicable Date”	10 May 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“Parties”	ASI (or its nominated wholly-owned subsidiary) and the Company (or its nominated wholly-owned subsidiary)
“percentage ratios”	has the meaning ascribed to it in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held to approve, among other matters, the Transaction
“Shareholders”	holder(s) of Share(s)
“Shares”	share(s) of HK\$0.02 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the transactions contemplated under the Investment Framework
“%”	per cent

LETTER FROM THE BOARD



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. Poon Yeung, Roderick

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

MassMutual Tower

33 Lockhart Road

Wanchai

Hong Kong

13 May 2017

To the Shareholders

Dear Sirs,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION IN RELATION TO PARTICIPATION IN PROPERTY
DEVELOPMENT PROJECTS WITH ASIA STANDARD INTERNATIONAL
GROUP LIMITED**

INTRODUCTION

Reference is made to the announcement of the Company dated 30 March 2017.

On 30 March 2017, ASI and the Company entered into the Investment Framework pursuant to which the Parties agree to participate in property development projects through the Investment Vehicle to be owned as to 50% by ASI and as to 50% by the Company. The maximum capital commitment of the Investment Vehicle will be HK\$2.5 billion by ASI and HK\$2.5 billion by the Company in the form of capital contribution, shareholders' loan and provision of corporate guarantee.

** for identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the Transaction; (ii) the letter of advice from the Independent Board Committee; (iii) the letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM.

The principal terms of the Investment Framework are set out as follows:

INVESTMENT FRAMEWORK

Date

30 March 2017

Parties

- (1) ASI; and
- (2) the Company

As at the Latest Practicable Date, ASI is a substantial shareholder of the Company, holding approximately 64.35% equity interest in the issued share capital of the Company. Therefore, ASI is a connected person of the Company.

Business scope of the Investment Vehicle

Pursuant to the Investment Framework, the Parties agree that the business scope of the Investment Vehicle or through its subsidiaries will be the participation in residential and commercial property development projects, primarily in Hong Kong and the PRC. The Investment Vehicle or through its subsidiaries may also take on property development projects overseas if such opportunities arise. The property development projects will include both participation in government tenders and projects in the private sector in relation to, among others, the conversion, development and redevelopment of land and property. As at the Latest Practicable Date, the Investment Vehicle has not identified any target property projects nor entered into any agreement, understanding or negotiation on the acquisition of property projects.

Capital Commitment

Pursuant to the Investment Framework, the Investment Vehicle will be owned as to 50% by ASI and as to 50% by the Company and will be accounted as an associate of the Company. The Parties will contribute their respective share of the capital requirements of the Investment Vehicle in proportion to their respective shareholdings in the Investment Vehicle.

The maximum capital commitment of the Investment Vehicle will be HK\$2.5 billion by ASI and HK\$2.5 billion by the Company in the form of capital contribution, shareholders' loan and provision of corporate guarantee. The maximum capital commitment was determined after arm's length negotiations among the Parties with reference to the financial resources and position of the Group,

LETTER FROM THE BOARD

considering (i) the fact that the maximum capital commitment of the Company under the Investment Framework will only account for less than 18% of the revalued total assets of the Group as at 30 September 2016 of approximately HK\$14,034 million; (ii) the low gearing level (net debt to revalued net assets) of the Group, being 16% as at 30 September 2016; (iii) the existing cash and unutilized banking facilities of the Group; and (iv) the recurring income and the liquidity and cash flow situation of the Group. The capital commitment of the Group will be funded by internal resources and bank loan.

As there is currently no specific property project targeted by the Investment Vehicle, it is premature to determine the allocation of the maximum capital commitment between internal resources and bank loan. Once a property project has been identified, the Company will allocate its commitment between internal resources and bank loan that the Investment Vehicle will be able to obtain in accordance with the prevailing market practice for development project financing.

Funding and provision of securities

The sources and terms of future funding requirements of the Investment Vehicle shall be determined by the board of directors of the Investment Vehicle from time to time. If any funding by banks, financial institutions or other third parties is required, each Party shall provide or procure the provision of or make available by itself and/or its affiliates such form of financial assistance on a pro rata and several basis based on its equity interest in the Investment Vehicle as such lender(s) and the Parties may agree.

If shareholders' funding is required, each Party shall provide or procure the provision of or make available by itself and/or its affiliates such funding on a pro rata and several basis in accordance with its equity interest in the Investment Vehicle.

First Right of Refusal

Each Party can sell part or all of its interest in the Investment Vehicle with the consent of the other Party. Each Party will have a first right of refusal to acquire the interest to be sold by another Party after the Party initiates the sale of its interest in the Investment Vehicle.

Tag-along Rights

If a Party proposes to transfer any of its interests in the Investment Vehicle, such Party shall procure the buyer to make an offer to the other Party to purchase all of the interests held by it for a consideration in cash per share of the Investment Vehicle that is at least equal to the highest price per share offered or paid by the buyer in the proposed transfer or in any related previous transaction in the twelve months preceding the date of the proposed transfer.

Profit Distribution

Profit distribution shall be made according to the respective shareholding of the Parties. The dividend and distribution policy of the Investment Vehicle shall be determined by the board of the Investment Vehicle from time to time.

LETTER FROM THE BOARD

Board of Directors and Management of the Investment Vehicle

Pursuant to the Investment Framework, the board of directors of the Investment Vehicle shall comprise of such number of directors to be mutually agreed by the Parties, with each Party being entitled to nominate equal number of directors. The chairman to the board of directors of the Investment Vehicle shall be nominated by ASI or its nominated wholly-owned subsidiary. The chairman shall preside at meetings of such board and shall have casting vote or tie-breaking vote at the board meetings.

Shareholders' approval

The following matters shall be approved by the unanimous consent of the shareholders of the Investment Vehicle:

- (i) increasing or reducing the authorised capital of the Investment Vehicle;
- (ii) taking up any projects by the Investment Vehicle;
- (iii) ceasing to carry on or materially altering the nature and scope of or undertaking any diversification of the business of the Investment Vehicle;
- (iv) requiring corporate guarantees from any of the shareholders of the Investment Vehicle in respect of the operation of the Investment Vehicle; and
- (v) winding up of the Investment Vehicle.

Matters other than the above shall be decided at a board meeting of the Investment Vehicle, in which a resolution shall be passed by an affirmative vote of a majority of directors present at the meeting.

Conditions precedent

The Investment Framework and the establishment of the Investment Vehicle are conditional upon (among other things):

- (i) the passing of the resolutions to approve the Transaction by the Independent Shareholders at the SGM; and
- (ii) all necessary approvals, consents, authorisation and licenses, whether corporate, regulatory, governmental or otherwise required under the relevant contracts and other documentation for the establishment of the Investment Vehicle having been obtained.

None of the above conditions precedent can be waived by the Parties.

As at the Latest Practicable Date, none of the conditions precedent have been fulfilled.

LETTER FROM THE BOARD

Termination

In the event that the conditional precedents are not satisfied on or before 30 June 2017 or such later date as the Parties shall agree, the Investment Framework shall lapse immediately. The Parties may also terminate the Investment Framework by mutual agreement in writing.

REASONS FOR THE PARTICIPATION IN PROPERTY DEVELOPMENT PROJECTS WITH ASI

The Group is principally engaged in holding and operating hotels in Hong Kong and Canada, property development, travel operations, catering operations and securities investments.

In December 2015, the Group together with three partners formed a joint venture in which the Group owns 40% interest and the joint venture acquired the land and building located in Downtown Vancouver, Canada, in the vicinity of the hotel owned by the Group. The transaction was completed on 1 April 2016. The Group intends to redevelop the land into a high-end residential development for sale and the redevelopment of the land will adhere to the West End Community Plan as adopted by the City Council of Vancouver.

Further, in November 2016, the Group acquired the land and premises at 1394 Robson Street, Vancouver, Canada in the vicinity of the hotel owned by the Group and the acquisition was completed in January 2017. The Group intends to demolish the building erected on the land for residential development for sale.

The Group aims to expand its property development business and plans to utilize the experience, expertise and resources of ASI in property development to further diversify its investment and strengthen its property development portfolio. As at 30 September 2016, the revalued total assets and gearing (net debt to revalued net assets) of ASI and its subsidiaries were HK\$34,421 million and 31% respectively. The cash and unutilized banking facilities of ASI and its subsidiaries was over HK\$5.6 billion as at 30 September 2016. Accordingly, the maximum capital commitment of ASI under the Investment Framework only accounts for approximately 7.3% of the revalued total assets of ASI and its subsidiaries.

ASI, established in 1984, has been listed on the Main Board of the Stock Exchange since 1991. ASI, together with 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 and travel operations. Since ASI's establishment, it has invested and developed a number of residential projects. More notable developments in Hong Kong include: (i) the Royalton I, a luxury residential development located in Pok Fu Lam, Hong Kong; (ii) Royalton II, comprising 16 deluxe units situated on the eastern side of Pok Fu Lam, Hong Kong; (iii) No.8 Shiu Fai Terrace, a prestigious low-density residence located in the Mid-Levels East offering 48 ensuite units; (iv) Grosvenor Place, an award winning luxury residential development located in the heart of Repulse Bay, Hong Kong; (v) Jadewater, located within Island South and offering 180 units; (vi) the Westminster Terrace, an award-winning luxury duplex apartment building; (vii) China United Centre, a commercial development located in North Point, Hong Kong; and (viii) the Canaryside, the very first residential tower on the waterfront of Lei Yu Mun, Hong Kong. As disclosed in the interim

LETTER FROM THE BOARD

report of ASI for the six months ended 30 September 2016, foundation construction has commenced for a luxurious residential development at Po Shan Road, located in the mid-levels area of Hong Kong. In addition, ASI's property development in the PRC includes: (i) Queen's Gate, a luxury residential development in Hongqiao, Shanghai; (ii) Palace Apartment, a residential and retail development located in Beijing.

According to the latest published annual report of ASI for the year ended 31 March 2016, ASI's development strategy is to continue to invest primarily in Hong Kong and first-tier cities in the PRC and continuing to expand its real estate business through carefully selected opportunities in luxury as well as mass market residential development. Leveraging on their expertise as a premium residential developer with an international standard, ASI will continue to look for opportunities to increase their presence in Hong Kong and the PRC.

As ASI has extensive experience, expertise and resources in property development, co-operation with ASI through the Investment Framework would thus allow the Group to leverage on ASI's knowhow to better expand its property development business. The Directors are also of the view that entering into the Investment Framework will provide more business flexibility to the Group to expand and diversify its property development business, the Group would enjoy lower entry costs (as capital commitment would be equally shouldered by both ASI and the Group) into a capital intensive business, by undertaking its property development expansion under the Investment Framework, the Group will also be able to contain its risk exposure to this business area, which it had relatively limited experience, but intends to expand into and that the Group stands to benefit from the extensive experience, expertise and resources of ASI in the property development business. As co-operation with ASI through the Investment Framework will be subject to approval of the Independent Shareholders, the Company thus entered into the Investment Framework before identifying any target property projects such that the Company and ASI would be able to take part in projects in a timely manner once a target property project is identified. Nevertheless, the Group will not preclude the possibility of forming joint arrangements with independent third parties, such as the formation of joint venture in December 2015 as mentioned above, or participating in property projects on a sole basis in the future as and when opportunities arise.

Based on the above, the Directors (including Mr. Ip Chi Wai and Mr. Hung Yat Ming, the independent non-executive Directors, whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) believe that the terms of the Transaction are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. No Director is required to abstain from voting and abstained from voting on the resolutions on the foregoing transactions.

The Company currently has no intention to increase its interest in the Investment Vehicle after the Transaction. Further, the Company currently has no intention, arrangement, agreement, understanding or negotiation (either concluded or otherwise) on any potential acquisition of assets or business (other than the Transaction), or disposal or scaling down of existing assets or business of the Company.

LETTER FROM THE BOARD

INFORMATION ON ASI AND THE COMPANY

ASI is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board. 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 and travel operations.

The Company is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board. The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company consist of holding and operating hotels in Hong Kong and Canada, property development, travel operations, catering operations and securities investments.

FINANCIAL EFFECT OF THE TRANSACTION ON THE GROUP

Upon the establishment of the Investment Vehicle, the Investment Vehicle will be an associate company of the Company and accordingly, the Company will use equity accounting to account for its investment in the Investment Vehicle.

Possible effects on earnings

The Directors expect that the Transaction would not have an immediate effect of the Transaction on the Group's earnings. The effect of the Transaction on the future earnings of the Group will depend on, among other things, the operating results of the Investment Vehicle. Since it is the intention of the Investment Vehicle to participate in residential and commercial property development projects, if such projects are successfully implemented as planned and in the absence of any material adverse change in the conditions of property markets, it is expected that future income derived from, for example, sales and/or leasing of properties of the Investment Vehicle may potentially enhance the earnings of the Group. As such, the Directors expect that the formation of the Investment Vehicle would likely have a positive impact on the Group's future earnings.

Possible effects on net assets

As the capital commitment will be financed by internal resources of the Group and/or debt financing, as such, the impact on the Group's bank balances and cash and/or borrowings would depend on the actual settlement of its share of the contribution to be made into the Investment Vehicle. The consolidated net asset value of the Group would remain unchanged upon the contribution to the Investment Vehicle as its total assets and liabilities will be accounted for by using the equity method.

Possible effects on liquidity and gearing ratio

Based on the information currently available and the expected equity method of accounting for the Investment Vehicle, the net assets of the Group is expected to remain unchanged upon establishment of the Investment Vehicle. The impact on the Group's gearing ratio (as calculated by the Group's net debt to revalued net assets) would depend on the level of debt financing used by the Group for its share of the contribution to be made into the Investment Vehicle in the future.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios in relation to the maximum capital commitment of the Company in the Investment Vehicle exceeds 100%, the Transaction constitutes a very substantial acquisition for the Company and, therefore, is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As ASI is a substantial shareholder of the Company holding approximately 64.35% equity interest in the issued capital of the Company, ASI is a connected person of the Company. Therefore, the Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and, accordingly, is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Ip Chi Wai and Mr. Hung Yat Ming, has been established to consider the terms of the Investment Framework and the transactions contemplated thereunder and to advise the Independent Shareholders in relation to the Transaction. As Mr. Leung Wai Keung, being an independent non-executive Director, is also an independent non-executive director of ASI, he is thus not a member of the Independent Board Committee.

Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

A notice convening the SGM to be held at Empire Club Lounge, 2nd Floor, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m. on Monday, 29 May 2017 at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Transaction, is contained on pages 54 to 55 of this circular.

The Company is approximately 64.35%-owned by ASI, which in turn is owned by AO as to approximately 51.79%. AO and ASI are each a controlling shareholder and hence a connected person of the Company. Mr. Poon Jing is a controlling shareholder of AO and is hence regarded as having a material interest in the Transaction. Further, as Mr. Poon Jing is a director of ASI which is a substantial shareholder of the Company, Mr. Poon Jing is an associate of a connected person of the Company.

In accordance with Rule 13.39(4) of the Listing Rules and the Company's Bye-Laws, the voting of the Shareholders at the SGM will be taken by poll. Mr. Poon Jing, AO, ASI and their respective associates, in aggregate holding, and entitled to exercise control over the voting rights in respect of, 1,346,310,539 issued Shares as at the Latest Practicable Date, will abstain from voting on the proposed resolutions approving the Transaction at the SGM.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof should you so wish.

RECOMMENDATION BY THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 13 to 31 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transaction.

Having taken into account the recommendation and advice from Independent Financial Adviser in relation to the Transaction, the Independent Board Committee is of the view that the terms of the Investment Framework 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 ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the Transaction.

RECOMMENDATION OF THE BOARD

The Directors (including the independent non-executive Directors) consider that the terms of the Investment Framework are on normal commercial terms and are fair and reasonable, and that the Transaction is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM, which are set out in the notice of SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Asia Standard Hotel Group Limited
Lim Yin Cheng
*Deputy Chairman and
Chief Executive*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Transaction for inclusion in this circular.



ASIA STANDARD HOTEL GROUP LIMITED

泛海酒店集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 292)

13 May 2017

To the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO PARTICIPATION IN PROPERTY DEVELOPMENT PROJECTS WITH ASIA STANDARD INTERNATIONAL GROUP LIMITED

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 13 May 2017 to the Shareholders (the “**Circular**”), of which this letter forms a part. Terms defined 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 the Independent Financial Adviser”, concerning its advice to us regarding the fairness and reasonableness of the terms and conditions of the Investment Framework as set out on pages 13 to 31 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 3 to 11 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the advice and recommendation of the Independent Financial Adviser, we consider that the terms and conditions of the Investment Framework 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 ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM in respect of the Transaction.

Yours faithfully
Asia Standard Hotel Group Limited
Ip Chi Wai and Hung Yat Ming
Independent Board Committee

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in relation to the Transaction contemplated under the Investment Framework, which has been prepared for the purpose of incorporation in the Circular.

ALTUS CAPITAL LIMITED

Altus Capital Limited
21 Wing Wo Street Central
Hong Kong

13 May 2017

*To the Independent Board Committee and
the Independent Shareholders*

Asia Standard Hotel Group Limited
30th Floor
MassMutual Tower
33 Lockhart Road
Wanchai
Hong Kong

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO PARTICIPATION IN PROPERTY DEVELOPMENT PROJECTS WITH ASIA STANDARD INTERNATIONAL GROUP LIMITED

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 the Transaction are set out in the “Letter from the Board” contained in the circular of the Company dated 13 May 2017 (the “**Circular**”), of which this letter forms part of. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 30 March 2017, ASI and the Company entered into the Investment Framework pursuant to which the Parties agree to participate in property development projects through the Investment Vehicle to be owned as to 50.0% by ASI and as to 50.0% by the Company. The maximum capital commitment of the Investment Vehicle will be HK\$2.5 billion by ASI and HK\$2.5 billion by the Company in the form of capital contribution, shareholders’ loan and provision of corporate guarantee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATION

Very substantial acquisition

As the relevant applicable percentage ratios in relation to the maximum capital commitment of the Company in the Investment Vehicle exceeds 100%, the Transaction constitutes a very substantial acquisition for the Company and, therefore, is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected transaction

As ASI is a substantial shareholder of the Company holding approximately 64.35% equity interest in the issued capital of the Company, ASI is a connected person of the Company. Therefore, the Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and, accordingly, is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Poon Jing, AO, ASI and their respective associates, being the controlling shareholder of the Company interested in the Transaction contemplated under the Investment Framework, will abstain from voting on the ordinary resolutions to approve the Transaction at the SGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, save for Mr. Poon Jing, AO, ASI and their respective associates, no Shareholder (or its associates) has any material interest in the Transactions contemplated under the Investment Framework.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Ip Chi Wai and Mr. Hung Yat Ming, both being independent non-executive Directors, has been established to consider the terms of the Investment Framework and the Transaction contemplated thereunder and to give advice to the Independent Shareholders as to (i) whether the Transaction contemplated under the Investment Framework is in the ordinary and usual course of business of the Group; (ii) whether the terms and conditions of the Investment Framework are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the SGM for the approval of the Transaction. As Mr. Leung Wai Keung, being an independent non-executive Director, is also an independent non-executive director of ASI, he is thus not a member of the Independent Board Committee.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Transaction is in the ordinary and usual course of business of the Group; (ii) whether the terms and conditions of the Investment Framework are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the SGM for the approval of the Transaction.

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Pursuant to Rule 13.84 of the Listing Rules, Altus Capital is independent of and not associated with the Company, its controlling shareholder(s) or connected person(s). We have not acted as independent financial adviser or financial adviser for other transactions of the Group in the last two years from the date of the Circular. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the aforementioned parties.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Investment Framework; (ii) the annual report of the Company for the year ended 31 March 2016 (the “**2016 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 September 2016 (the “**2016 Interim Report**”); (iv) the annual report of ASI for the year ended 31 March 2016 (the “**ASI 2016 Annual Report**”); (v) the interim report of ASI for the six months ended 30 September 2016 (the “**ASI 2016 Interim Report**”); (vi) the Company’s announcement dated 3 November 2016 with regard to a discloseable transaction in relation to the acquisition of land located in Vancouver, Canada; (vii) the Company’s circular dated 14 April 2016 with regard to a major transaction in relation to the formation of a joint venture and acquisition of land; and (viii) other information as set out in the Circular and the Company’s announcement dated 30 March 2017 in relation to the Investment Framework. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background information and business overview of the Group

Information of the Group

The Group is principally engaged in holding and operating hotels in Hong Kong and Canada, property development, travel operations, catering operations and securities investments. The Company was formed as a result of restructuring of business of ASI in July 2000, with the hotel and management services businesses being spun off into a separate company.

Historical financial information

Set out below a summary of the Group's consolidated profit and loss account for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016 as extracted from the 2016 Annual Report and the 2016 Interim Report:

	For the year ended 31 March				For the six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(audited)		(audited)		(unaudited)		(unaudited)	
Revenue								
- Hotel operation	460,334	65.8	404,049	59.7	202,860	57.3	201,556	49.8
- Travel operation	75,533	10.8	80,784	11.9	57,851	16.3	60,341	14.9
- Financial investments	161,533	23.1	189,383	28.0	91,981	26.0	140,915	34.8
- Others	2,233	0.3	2,773	0.4	1,303	0.4	1,783	0.4
	699,633	100.0	676,989	100.0	353,995	100.0	404,595	100.0
Profit attributable to Shareholders	120,061		250,612		153,452		208,861	

Source: 2016 Annual Report and 2016 Interim Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 March 2016

As shown above, the Group's revenue for the year ended 31 March 2016 decreased by approximately 3.2% as compared to that of the previous financial year. The Group primarily derived its revenue from its hotel operations and financial investments, with hotel operations being the largest revenue contributor throughout the two years ended 31 March 2016 as well as each of the six months ended 30 September 2015 and 2016. Such decrease was mainly due to the approximately 12.2% decrease in revenue from its hotel operation for the year ended 31 March 2016 when compared with that of the previous year, offsetting the increases in revenue in all of its other segments. In particular, the Group's hotel operations recorded a fall in revenue despite all of its hotels in Hong Kong operating at approximately 96% occupancy for the two years ended 31 March 2016, due to Hong Kong's competitiveness as a tourist destination for mainland tourists being adversely affected by, amongst others, foreign currencies depreciation, relaxation of visa requirements and tax reimbursement measures by some foreign countries. Despite a fall in revenue, profit attributable to Shareholders recorded an increase of approximately 108.7% from approximately HK\$120.1 million for the year ended 31 March 2015 to approximately HK\$250.6 million for the year ended 31 March 2016, and the Group's hotel operations continued to account for substantial amounts of the Group's revenue for the two years ended 31 March 2016 and each of the six months ended 30 September 2015 and 30 September 2016. Such increase is mainly due to the Group recording a net gain on investments in financial assets during the year ended 31 March 2016 as opposed to a net loss in the prior year.

For the six months ended 30 September 2016

The Group's revenue for the six months ended 30 September 2016 increased by approximately 14.3% as compared to that of the corresponding period in the previous year. Such increase was mainly due to the increase in interest income derived from its financial investments by 53.2% from approximately HK\$92.0 million for the six months ended 30 September 2015 to approximately HK\$140.9 million for the six months ended 30 September 2016. In particular, the increase in value of the Group's portfolio during the six months ended 30 September 2016 was attributed to mark to market fair value gain. Such increase in interest income was also the main contributor to the Group's approximately 36.1% growth in profit attributable to Shareholders for the six months ended 30 September 2016 when compared with that of the corresponding period in the previous year.

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Set out below key items of the Group's consolidated balance sheet as extracted from the 2016 Annual Report and the 2016 Interim Report:

	As at 31 March		As at
			30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Current assets	1,898,544	2,287,955	2,530,440
Total assets	5,158,731	5,787,775	6,096,716
Current liabilities	336,508	387,169	293,741
Total liabilities	1,893,997	2,333,234	2,431,317
Net assets	3,264,734	3,454,541	3,665,399
Bank balances and cash	182,388	316,981	414,639
Available-for-sale investment	190,757	143,587	171,933
Financial assets at fair value through profit or loss	1,586,394	1,817,819	1,943,491
	(unaudited)	(unaudited)	(unaudited)
Revalued total assets (<i>Note 1</i>)	12,709,000	13,263,000	14,034,000
Revalued net assets (<i>Note 1</i>)	10,782,000	10,875,000	11,528,000
Gearing ratio (<i>Note 2</i>)	15%	17%	16%

Source: 2016 Annual Report and 2016 Interim Report

Notes:

1. *According to the Group's accounting policies, the five hotel properties in operation as at 30 September 2016 and four hotel properties in operation as at 31 March 2016 were carried at cost less accumulated depreciation. The revalued total assets and revalued net asset takes into account the fair market value of these hotel properties and excludes the corresponding deferred income tax on Hong Kong properties.*
2. *The Group's gearing ratio is expressed as a percentage of net debt over the revalued net asset value.*

As shown in the above table, the Group consistently recorded revalued net assets above HK\$10.0 billion as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively. Further, we note that the Group had relatively low gearing at 17.0% or below as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively. In addition, the Group also had substantial amount of liquid assets as at each of the reporting date presented above. In particular, as at 30 September 2016, the Group recorded (i) bank balances and cash of approximately HK\$414.6 million; (ii) available-for-sale investment in blue chip equity securities listed in Hong Kong of approximately HK\$171.9 million; and

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(iii) financial assets at fair value through profit or loss of approximately HK\$1,943.5 million. Based on the 2016 Interim Report, the Group's financial assets at fair value through profit or loss comprised (i) approximately HK\$319.9 million of equity securities listed in the United States of America and Europe; and (ii) approximately HK\$1,623.6 million debt securities listed in Singapore, Hong Kong and Europe.

Business overview

We note from the 2016 Interim Report, the Group owned and operated four hotels under the "Empire" brand in Hong Kong, namely Empire Hotel Hong Kong, Empire Hotel Kowloon, Empire Hotel Causeway Bay and Empire Prestige Causeway Bay, three of which, the Group also developed. In addition, the Group also operated a hotel in Canada, being Empire Landmark Hotel.

In addition to its hotel development projects and financial investments, the Group also engages in property development and currently has two ongoing property development projects. According to the Company's announcement on 16 December 2015, the Company entered into a framework agreement with three independent third parties to form a joint venture. The principal activity of the joint venture is to own and redevelop the lands into a mixed residential and commercial development for sale. The joint venture is owned as to 40% by the Company, as the largest shareholder, with the maximum capital commitment of the Company in respect of the joint venture to be approximately HK\$435.2 million.

Further, according to another announcement of the Company dated 3 November 2016, an indirect wholly-owned subsidiary of the Company entered into a purchase and sale agreement with an independent third party to acquire a plot of land and premises located in the vicinity of the Group's aforementioned hotel in Vancouver, Canada for a consideration of approximately HK\$144.7 million. The Group intends to redevelop the land into a high-end residential development. The Management advised that the Group considered both projects as attractive investment opportunities for the Group with potential to yield satisfactory returns whilst diversifying its revenue source and strengthening its overseas portfolio at the same time.

2. Background information of ASI

ASI, established in 1984, has been listed on the Main Board since 1991. ASI, together with 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 and travel operations.

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Financial capabilities of ASI

Set out below a summary of the ASI's consolidated profit and loss account for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016 as extracted from the ASI 2016 Annual Report and the ASI 2016 Interim Report:

	For the year ended 31 March				For the six months ended 30 September			
	2015		2016		2015		2016	
	<i>HK\$'000</i> <i>(audited)</i>	%	<i>HK\$'000</i> <i>(audited)</i>	%	<i>HK\$'000</i> <i>(unaudited)</i>	%	<i>HK\$'000</i> <i>(unaudited)</i>	%
Revenue								
- Property sales	—	—	630	—	—	—	—	—
- Property leasing	128,944	10.3	136,721	10.4	71,513	10.6	71,155	7.6
- Hotel and travel	535,867	42.6	484,833	36.8	260,711	38.6	261,897	27.8
- Financial investments	580,325	46.2	676,036	51.4	338,231	50.1	592,268	63.0
- Others	11,158	0.9	18,193	1.4	4,308	0.7	14,756	1.6
	1,256,294	100.0	1,316,413	100.0	674,763	100.0	940,076	100.0
 Profit attributable to shareholders	 967,016		 721,333		 391,827		 1,144,608	

Source: ASI 2016 Annual Report and ASI 2016 Interim Report

As ASI is a substantial shareholder of the Company holding approximately 64.35% equity interest in the issued capital of the Company, the Company is a principal subsidiary of ASI and the financial results of the Company is consolidated to ASI's financial results. As illustrated above, in addition to the hotel and travel business, which is undertaken by the Group, ASI also derived income from its other business segments, namely property leasing and financial investments during the two years ended 31 March 2016 as well as each of the six months ended 30 September 2015 and 2016. In particular, its investment properties comprise a mix of commercial and retail spaces situated in core central business district in Hong Kong whilst its financial investment portfolio provides a liquidity buffer in terms of its recurring income and cash flow stream. For the property development business, we note that ASI's 50% joint venture development in Shanghai had commenced presale in July 2015 and contracted about RMB2.4 billion during the six months ended 30 September 2016 whereby ASI is expected to recognise the associated profit in the second half of the year ended 31 March 2018. We also note from the ASI 2016 Interim Report that ASI has a number of ongoing development projects in the pipeline.

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Set out below key items of ASI's consolidated balance sheet as extracted from the ASI 2016 Annual Report and the ASI 2016 Interim Report:

	As at 31 March 2015	2016	As at 30 September 2016
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets	7,997,438	8,778,988	10,158,710
Current liabilities	1,503,010	1,577,862	1,956,813
Net assets	15,863,082	16,565,503	17,316,757
Bank balances and cash	1,071,537	737,211	600,747
Available-for-sale investment	216,159	170,896	200,097
Financial assets at fair value through profit or loss (current portion)	5,566,465	6,673,070	8,076,691

Source: ASI 2016 Annual Report and ASI 2016 Interim Report

As shown in the above table, the financial position of ASI is substantially larger than that of the Group, in particular, its investments in the financial asset at fair value through the profit or loss.

Experience of ASI in property development business

We noted that ASI has a strong track record in property development. Since ASI's establishment, the company has invested and developed a number of residential projects. More notable developments in Hong Kong include (i) the Royalton I, a luxury residential development located in Pok Fu Lam, Hong Kong; (ii) the Royalton II, comprising 16 deluxe units situated on the eastern side of Pokfulam, Hong Kong; (iii) No. 8 Shiu Fai Terrace, a prestigious low-density residence located in the Mid-Levels East offering 48 ensuite units; (iv) Grosvenor Place, an award winning luxury residential development located in the heart of Repulse Bay, Hong Kong; (v) Jadewater, located within Island South and offering 180 units; (vi) the Westminster Terrace, an award-winning luxury duplex apartment building; (vii) China United Centre, a commercial development located in North Point, Hong Kong; and (viii) the Canaryside, the very first residential tower on the waterfront of Lei Yu Mun, Hong Kong. We note from ASI 2016 Interim Report of that foundation construction has commenced for a luxurious residential development at Po Shan Road, located in the mid-levels of Hong Kong. In addition, ASI's property development in the PRC includes (i) Queen's Gate, a luxury residential development in Hongqiao, Shanghai; and (ii) Palace Apartment, a residential and retail development located in Beijing.

According to the ASI 2016 Annual Report, ASI's development strategy is to continue to invest primarily in Hong Kong and first-tier cities in the PRC and continuing to expand its real estate business through carefully selected opportunities in luxury as well as mass market residential

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development. Leveraging on their expertise as a premium residential developer with an international standard, we noted that ASI will continue to look for opportunities to increase their presence in Hong Kong and the PRC. In particular, according to the ASI 2016 Annual Report, the property market in the PRC are experiencing strong recovery with a more favourable mortgage policy and a series of monetary easing in the banking industry, as a result, the directors of ASI expected this trend to continue. Subsequently, as disclosed in the ASI 2016 Interim Report, the monetary easing and more favourable mortgage policy had resulted property prices in major first tier cities like Shanghai and Beijing to rise considerably over the interim period. The PRC government has recently imposed more stringent measures to prevent the property market from being overheated, avoiding assets bubble formation and aiming a healthy sustainable growth.

3. Reasons for and benefits of participation in property development project(s) with ASI as contemplated under the Investment Framework

As mentioned under the paragraph headed “1. Background information and business overview of the Group” above, the Group is principally engaged in holding and operating hotels in Hong Kong and Canada, property development, travel operations, catering operations and securities investments. In particular, as mentioned under the paragraph headed “Historical financial information” above, not only does the Group enjoy steady income streams from both its hotel operations and financial investments segments, it also had substantial amount of liquid assets as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively. Gearing level, as abovementioned also remained relatively low at 17% or below as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively.

We understand from the Management that armed with (i) stable income streams from its hotel operation business and financial investments; (ii) its substantial investment portfolio of financial assets; and (iii) its experience in hotel development, the Group intends to expand its property development business, which it had been undertaking as part of its ordinary and usual course of business since 2015 (as further elaborated under the paragraph headed “Business overview” under the paragraph “1. Background information and business overview of the Group” in this letter). In this regard, albeit the Group had previous experience in development from its hotel development and property development activities as afore mentioned, such experience remains limited when compared with ASI’s extensive experience, expertise and resources in property development in the PRC and Hong Kong (as elaborated under the paragraph headed “Experience of ASI in property development business” under the paragraph headed “2. Background information of ASI” of this letter). Co-operation with ASI through the Investment Framework would thus allow the Group to leverage on ASI’s knowhow to better expand its property development business.

In light of this, the Directors are of the view, and we concur, that entering into the Investment Framework is in the interests of the Company and the Shareholders as a whole because:

- (i) it will provide more business flexibility to the Group to expand and diversify its property development business, as the Group will be able to pursue opportunities in a timely manner under the Investment Framework (subject to the maximum capital commitment), and this would be of particular benefit if bidding or tendering for projects is time sensitive;

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- (ii) the Group would enjoy lower entry costs into a capital intensive business as opposed to participating in property projects on a sole basis since capital commitment would be equally shouldered by both ASI and the Group;
- (iii) by undertaking its property development expansion under the Investment Framework, since the risks will be equally shared by both ASI and the Group, compared to undertaking property projects on a sole basis, the Group will also be able to contain its risk exposure to this business area, which it had relatively limited experience, but intends to expand into; and
- (iv) the Group stands to benefit from the extensive experience, expertise and resources of ASI in the property development business (as further elaborated under the paragraph headed “Experience of ASI in property development business” under the paragraph headed “2. Background information of ASI” of this letter).

Moreover, we understand from the Management that as the Investment Framework aims to provide flexibility to the Group when pursuing for property development opportunities (as explained under point (i) above) and considering that there is no specific target identified at this stage, it is premature to determine detailed mechanisms such as specific time frame of fund injections and compensation on event of funding default, as such details can only be practically determined for each specific project with due consideration for amongst other things, the source of funding (i.e. whether the project will be funded through contribution by shareholders or through external financing obtained by the Investment Vehicle itself), the scale of each project and prevailing market interest rate at the time. In this connection, it is noted that in the event of default, the Group’s pre-emptive and tag-along rights has been provided for under the Investment Framework (as elaborated under the section headed “4. Principal terms of the Investment Framework” of this letter). This, together with (i) the Investment Framework has already laid down a maximum capital commitment with reference to the financial resources and position of the Group (as further elaborated under the paragraph headed “4.2 Capital Commitment” of this letter); (ii) ASI’s financial capabilities (as detailed under the paragraph headed “Financial capabilities of ASI” of this letter); (iii) the Investment Framework has necessitated approval by the unanimous consent of the Investment Vehicle’s shareholders when the Investment Vehicle takes up new projects (as further elaborated under the paragraph headed “4.7 Shareholders’ approval” of this letter) thereby enabling that the Group to ensure specific mechanisms to be determined for each project will be in the interests of the Company and Shareholders as a whole; and (iv) our understanding from the Management that rights and responsibilities of each party under the Investment Vehicle will be equally shared between the two Parties and there will be no other allocation of any rights and responsibilities, the Directors are of the view, and we concur, that the formation of the Investment Vehicle is in the interests of the Company and its Shareholders as a whole.

In respect of general outlook, we note that over the longer term, the PRC property market is supported by (i) the urbanisation process laid down by the PRC government in The 13th Five Year Plan for economic and social development of the PRC (2016-2020); (ii) the expansion of urban residency permits (also commonly known as hukou system); and (iii) long term population growth. Meanwhile, it is noted that the real estate sector has long been an underpinning industry for the Hong Kong economy. In view of these, and considering the Investment Framework aims to provide flexibility to

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the Group and as further elaborated below, does not preclude the Group from pursuing property development opportunities with independent third parties or on a sole basis, we are of the view that the formation of the Investment Vehicle is in the interests of the Company and the Shareholders as a whole.

Having considered our analysis under the paragraphs headed “4. Principal terms of the Investment Framework” and “5. Market comparables” of this letter, we are of the view that the Group’s participation in the Investment Framework with ASI would be no less favourable to the Company and the Shareholders than forming an investment vehicle on normal commercial terms with an Independent Third Party of similar caliber as ASI in terms of financial capabilities and property development experience. Meanwhile, we also noted that the Investment Framework does not preclude the Group from pursuing property development opportunities with independent third parties or on a sole basis. In the future, we understand from the Management that the Group can enter into any arrangement, such as the formation of joint venture, with any independent third parties or on a sole basis when opportunities arise.

4. Principal terms of the Investment Framework

4.1 *Business scope of the Investment Vehicle*

Pursuant to the Investment Framework, the Parties agree that the business scope of the Investment Vehicle or through its subsidiaries will be the participation in residential and commercial property development projects, primarily in Hong Kong and the PRC. The Investment Vehicle or through its subsidiaries may also take on property development projects overseas if such opportunities arise. The property development projects will include both participation in government tenders and projects in the private sector in relation to, amongst others, the conversion, development and redevelopment of land and property. As at the Latest Practicable Date, the Investment Vehicle has not identified any target property projects nor entered into any agreement, understanding or negotiation on the acquisition of property projects.

As mentioned under the paragraph headed “1. Background information and business overview of the Group” of this letter, the Group has been engaged in property development through investment frameworks which coincide with the business scope of the Investment Vehicle. As such, we are of the view that the Investment Vehicle is in the ordinary and usual course of business of the Group.

4.2 *Capital commitment*

Pursuant to the Investment Framework, the Investment Vehicle will be owned as to 50% by ASI and as to 50% by the Company and will be accounted for as an associate of the Company. The Parties will contribute their respective share of the capital requirements of the Investment Vehicle in proportion to their respective shareholdings in the Investment Vehicle. The maximum capital commitment of the Investment Vehicle will be HK\$2.5 billion by ASI and HK\$2.5 billion by the Company in the form of capital contribution, shareholders’ loan and provision of corporate guarantee.

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The maximum capital commitment was determined after arm's length negotiations among the Parties with reference to the financial resources and position of the Group, considering (i) the fact that the maximum capital commitment of the Company under the Investment Framework will only account for less than 18% of the revalued total assets of the Group as at 30 September 2016; (ii) the low gearing level (net debt to revalued net assets) of the Group, being 16% as at 30 September 2016; (iii) the existing cash and unutilised banking facilities of the Group; and (iv) the recurring income and the liquidity and cash flow situation of the Group. The capital commitment of the Group will be funded by internal resources and bank loans.

In assessing the fairness and reasonableness of capital commitment of the Group, we note that the Group recorded (i) revalued total assets of approximately HK\$14.0 billion and revalued net assets of approximately HK\$11.5 billion as at 30 September 2016; and (ii) a relatively low gearing ratio of 17.0% or below as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively. Further, we note that readily available internal resources of the Group as at 30 September 2016 amounted to approximately HK\$2.5 billion, being bank balances and cash of approximately HK\$0.4 billion and financial investment portfolio of approximately HK\$2.1 billion. In addition, the Group enjoys recurring income from its hotel operation business and receives stable returns from its financial investments.

In view of the above and taking into account that (i) the Investment Framework aims to provide flexibility to the Group when pursuing for property development opportunities, as such, there is currently no specific property project targeted by the Investment Vehicle; (ii) it is commercially reasonable to set a maximum capital commitment under the Investment Framework as such arrangement would allow for business flexibility in that the Group (subject to the maximum capital commitment) would be able to part take in projects in a timely manner regardless of whether actual contribution are payable in full at a point in time or in stages; (iii) unanimous consent of the Investment Vehicle's shareholders is required prior to the taking up of new projects by the Investment Vehicle which in effect enables to the Group to agree to actual contribution amount and timing subject to its financial capabilities at the time; and (iv) future income streams from the Group's existing business operations, which as demonstrated in the paragraph headed "1. Background information and business overview of the Group" above, had been steady historically, we are of the view that it is reasonable to determine the maximum capital commitment with reference to the Company's financial resources and position for the purpose of the Investment Framework, such that the Group would have sufficient funding sources to meet its maximum capital commitment for the Transaction when called upon.

4.3 Funding and provision of securities

The sources and terms of future funding requirements of the Investment Vehicle shall be determined by the board of directors of the Investment Vehicle from time to time. If any funding by banks, financial institutions or other third parties is required, each Party shall provide or procure the provision of or make available by itself and/or its affiliates such form of financial assistance on a pro rata and several basis based on its equity interest in the Investment Vehicle as such lender(s) and the Parties may agree. If shareholders' funding is required, each Party shall provide or procure the provision of or make available by itself and/or its affiliates such funding on a pro rata and several basis in accordance with its equity interest in the Investment Vehicle.

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4.4 *First Right of Refusal*

Each Party can sell part or all of its interest in the Investment Vehicle with the consent of the other Party. Each Party will have a first right of refusal to acquire the interest to be sold by another Party after the Party initiates the sale of its interest in the Investment Vehicle.

4.5 *Tag-along Rights*

If a Party proposes to transfer any of its interests in the Investment Vehicle, such Party shall procure the buyer to make an offer to the other Party to purchase all of the interests held by it for a consideration in cash per share of the Investment Vehicle that is at least equal to the highest price per share offered or paid by the buyer in the proposed transfer or in any related previous transaction in the twelve months preceding the date of the proposed transfer.

4.6 *Profit Distribution*

Profit distribution shall be made according to the respective shareholding of the Parties, which is in line with those noted for market comparables. Please refer to the paragraph headed “5. Market comparables” of this letter for details. The dividend and distribution policy of the Investment Vehicle shall be determined by the board of the Investment Vehicle from time to time. Please refer to further analysis in the paragraph headed “4.7 Board of Directors and Management of the Investment Vehicle” of this letter.

4.7 *Board of Directors and Management of the Investment Vehicle*

Pursuant to the Investment Framework, the board of directors of the Investment Vehicle shall comprise such number of directors to be mutually agreed by the Parties, with each Party being entitled to nominate equal number of directors. The chairman to the board of directors of the Investment Vehicle shall be nominated by ASI or its nominated wholly-owned subsidiary. The chairman shall preside at meetings of such board and shall have casting vote or tie-breaking vote at the board meetings. In this regard, since concurrent to the ASI's 50.0% interest in the Investment Vehicle, ASI is also a substantial shareholder of the Company holding approximately 64.35% equity interest in the issued capital of the Company, the interests of ASI and that of the Group in the Investment Vehicle is aligned. In view of this and that with all other rights and obligations being equal, it is commercially reasonable to give the casting vote to the party with more experience in the business scope of the Investment Vehicle (being ASI in this case), the Directors are of the view and we concur that such arrangement is fair and reasonable.

4.8 *Shareholders' approval*

The following matters shall be approved by the unanimous consent of the shareholders of the Investment Vehicle:

- (i) increasing or reducing the authorised capital of the Investment Vehicle;
- (ii) taking up any projects by the Investment Vehicle;

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- (iii) ceasing to carry on or materially altering the nature and scope of or undertaking any diversification of the business of the Investment Vehicle;
- (iv) requiring corporate guarantees from any of the shareholders of the Investment Vehicle in respect of the operation of the Investment Vehicle; and
- (v) winding up of the Investment Vehicle.

Matters other than the above shall be decided at a board meeting of the Investment Vehicle, in which a resolution shall be passed by an affirmative vote of a majority of directors present at the meeting. Please refer to further analysis in the paragraph headed “4.7 Board of Directors and Management of the Investment Vehicle” of this letter.

4.9 *Section summary*

Taking into account the above, the analysis under the paragraph headed “5. Market comparables” below and having reviewed the previous framework agreement entered into by the Group in relation to another property development project with Independent Third Parties, we are of the view that the above major terms of Investment Framework are on normal commercial terms and are fair and reasonable to the Company and the Shareholders as a whole.

5. **Market comparables**

To assess the fairness and reasonableness of the terms of the Investment Framework with regards to the common features of joint venture arrangements, being (i) proportion of capital commitment; (ii) rights of appointment of directors; and (iii) proportion of profit sharing regardless of their business nature, we have conducted a market comparable analysis. As the basis of determination of the capital commitment and whether there were identified target(s) under each joint venture would be subject to the specific purpose and business scope of each joint venture and considering the diversity in the purpose and business scope of joint ventures, we believe comparison of such factors would not be meaningful for the purpose of this exercise.

In this regard, we have identified, to the best of our knowledge and as far as we are aware, 18 notifiable and/or connected transactions in relation to the formation of joint ventures entered into by the companies (the “**Comparable Transaction(s)**”) listed on the Stock Exchange, from 31 January 2017 up to and including the date of the Investment Framework, being an approximate two month period before entering into the Investment Framework agreement (the “**Comparable Period**”), which is considered to be representative and exhaustive for comparison purpose. We are of the view that the Comparable Period would provide us with sufficient recent information on common market practice as suitable reference for the Investment Framework.

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Shareholders should note that the business, operations and prospects of the Investment Vehicle under the terms of the Investment Framework and the transactions contemplated thereunder may not be the same with those of the Comparable Transactions and the Comparable Transactions are used to provide a general reference for the common market practices in recent transactions regarding the formation of joint venture entered into by the companies listed on the Stock Exchange. The summaries of the Comparable Transactions are set out below:

Date of announcement	Company (stock code)	Connected transaction	Terms on capital commitment in proportion to respective interest of each party in the joint venture	Rights of appointment of directors are based on respective interest in the joint venture	Terms on profit sharing in proportion to respective interest of parties in the joint venture
8 February 2017	Tan Chong International Limited (693)	No	Yes	Yes	N/A
19 February 2017	Hybrid Kinetic Group Limited (1188)	No	Yes	N/A	N/A
21 February 2017	Cheung Kong Property Holdings Limited (1113)	Yes	Yes	Yes	N/A
22 February 2017	Anta Sports Products Limited (2020)	No	Yes	No	N/A
24 February 2017	Beijing Urban Construction Design & Development Group Co., Limited (1599)	Yes	Yes	Yes	N/A
25 February 2017	Hanison Construction Holdings Limited (896)	No	Yes	Yes	N/A
28 February 2017	Magnificent Hotel Investments Limited (201)	Yes	Yes	Yes	N/A
3 March 2017	Chaowei Power Holdings Limited (951)	Yes	Yes	No	N/A
3 March 2017	GCL-Poly Energy Holdings Limited (3800)	Yes	Yes	Yes	N/A
6 March 2017	China Merchants Land Limited (978)	Yes	Yes	No	N/A
10 March 2017	Yau Lee Holdings Limited (0406)	No	Yes	Yes	N/A
14 March 2017	Harbin Electric Company Limited (1133)	No	Yes	No	Yes
15 March 2017	AviChina Industry & Technology Company Limited (2357)	Yes	Yes	Yes	N/A

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Date of announcement	Company (stock code)	Connected transaction	Terms on capital commitment in proportion to respective interest of each party in the joint venture	Rights of appointment of directors are based on respective interest in the joint venture	Terms on profit sharing in proportion to respective interest of parties in the joint venture
16 March 2017	Yau Lee Holdings Limited (406)	No	Yes	Yes	N/A
17 March 2017	China Putian Food Holding Limited (1699)	No	Yes	Yes	Yes
21 March 2017	China State Construction International Holdings Limited (3311)	Yes	Yes	Yes	Yes
28 March 2017	Greentown China Holdings Limited (3900)	Yes	Yes	Yes	Yes
28 March 2017	Rici Healthcare Holdings Limited (1526)	No	Yes	Yes	Yes

Source: www.hkexnews.hk

We noted that (i) none of the Comparable Transactions contains terms on capital commitment which is not in proportion to the respective interest of each of the parties in the joint venture; (ii) the rights of appointment of directors of each of the parties to the transactions under 13 Comparable Transactions are based on the proportion of their respective interest in the joint venture (no relevant information was disclosed in one Comparable Transactions); and (iii) where such information is available, none of the Comparable Transactions contains term on profit sharing which is not in proportion to the respective interest of each of the parties in the joint venture.

As such, we are of the view that the above terms of the Investment Framework are in line with market practice and, are comparable with the Comparable Transactions in respect of the terms relating to (i) proportion of capital commitment; (ii) rights of appointment of directors; and (iii) proportion of profit sharing.

Taking into account the above, we are of the view that the terms of Investment Framework are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Potential financial effects as a result of the Transaction

6.1 Net asset value and earnings

Pursuant to the Investment Framework, the Investment Vehicle will be owned as to 50.0% by ASI and as to 50.0% by the Company and will be accounted as an associate of the Company. The Parties will contribute their respective share of the capital requirements of the Investment Vehicle in proportion to their respective shareholdings in the Investment Vehicle. As a result, the Directors expects that the Transactions would not have immediate impact on the Group's net asset value.

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Since it is the intention of the Investment Vehicle to participate in residential and commercial property development projects, if such projects are successfully implemented as planned and in the absence of any material adverse change in the conditions of property markets, it is expected that future income derived from, for example, sales and/or leasing of properties of the Investment Vehicle may potentially enhance the earnings of the Group.

6.2 *Gearing ratio and working capital*

We note that the funding to be contributed by the Group to the Investment Vehicle will be primarily financed by internal resources and bank loan and the Directors anticipates that establishment of the Investment Vehicle will not result in material adverse impact on the financial position of the Group. However, if any part of the Group's investment amount in the Investment Vehicle is to be financed by external bank borrowings, the total liabilities and gearing ratio of the Group may increase accordingly.

As further elaborated under the paragraph headed "4.2 Capital commitment" above, the Group's capital commitment for the Investment Vehicle will be determined collectively by the board of directors of the Investment Vehicle in which the Company will have 50% nomination rights and unanimous consent of the Investment Vehicle's shareholders is required prior to the taking up of new projects by the Investment Vehicle, which in effect enables the Group to agree to actual contribution amount and timing subject to its financial capabilities at the time, we are of the view that the Group would have sufficient funding sources to meet its capital commitment for the Transaction when called upon.

Having considered the abovementioned possible financial effects of the Transaction, which will have no immediate material adverse impact on the Group, we are of the view that the overall possible financial effects to the Group as a result of the Transaction are acceptable.

RECOMMENDATION

In view of the above principal factors and reasons, we are of the view that (i) the Transaction is in the ordinary and usual course of business of the Group; and (ii) the terms and conditions of the Investment Framework are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Investment Framework and the transactions contemplated thereto.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Executive Director

Charlotte Khoo
Assistant Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities); Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investment Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Ms. Charlotte Khoo (“**Ms. Khoo**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has over five years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

AUDITED CONSOLIDATED FINANCIAL INFORMATION

The audited consolidated financial statements of the Group (i) for the year ended 31 March 2016 is disclosed in the annual report of the Company for the year ended 31 March 2016 published on 26 July 2016, from pages 43 to 112 as published on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0726/LTN20160726350.pdf>); (ii) for the year ended 31 March 2015 is disclosed in the annual report of the Company for the year ended 31 March 2015 published on 24 July 2015, from pages 37 to 100 as published on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0724/LTN20150724304.pdf>); and (iii) for the year ended 31 March 2014 is disclosed in the annual report of the Company for the year ended 31 March 2014 published on 24 July 2014, from pages 40 to 104 as published on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0724/LTN20140724289.pdf>). All of which have also been published on the website of the Company (www.asiastandardhotelgroup.com).

INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had approximately HK\$2,469 million outstanding indebtedness comprising the following debts:

- (i) HK\$2,293 million bank borrowings were guaranteed, and were secured by the Group's certain property, plant and equipment; and
- (ii) HK\$176 million convertible notes liabilities were unguaranteed and unsecured.

The carrying values of the Group's assets pledged to secure its borrowings amounted to approximately HK\$3,179 million as at 31 March 2017.

As at close of business on 31 March 2017, the Group had contingent liabilities of HK\$198 million in respect of financial guarantees given to the banks for facilities extended to the Group's joint ventures.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 March 2017, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Group was made up.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effects of the Transaction, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; and (ii) the Group's presently available banking facilities, the Group will have sufficient working capital for its present requirements and for at least the next twelve months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The general market conditions of the tourist and hotel industries in Hong Kong have gradually regained some momentum with overnight visitor arrivals between October 2016 and February 2017 showing a 3.2% increase from the same period of last year. Although the strong dollar and the volatile global economic environment continue to give pressure to visitors' arrivals in the short to near term, the long-term prospects of the Hong Kong hospitality industry should remain positive when more tourism and infrastructure projects are completed, which will continue to support Hong Kong as a major MICE (Meetings, Incentives, Conferences, and Events) and leisure destination in the world. In addition, we are comforted by the fact that all our hotels are located in traditional tourist preferred city centres as opposed to those peripheral areas outside of city centres or hubs. The management remains cautiously optimistic in the coming times for our hotel performance.

For the property market in Vancouver, Canada, the housing market in Canada witnessed a strong growth in the year 2016, and Greater Vancouver remains the country's most sought after market. Vancouver's property market is expected to remain attractive for residential property developers due to limited housing supply on the West Coast, relatively low interest rates and a strong economy in the British Columbia.

On 1 November 2016, the Group entered into a purchase and sale agreement to purchase certain land and buildings (the "**Land**") located in Vancouver, Canada at a consideration of Canadian Dollars 25,000,000 (equivalent to approximately HK\$147,818,000). The closing of the transaction took place on 31 January 2017, and the purchase consideration was funded by a bank loan and the Group's internal resources. The Land is located in the vicinity of our hotel and the property development project of its joint ventures in Vancouver, and we intend to demolish the building erected on the Land for residential development for sale. As at the Latest Practicable Date, the Land is under planning by the Group.

The formation of the Investment Vehicle presents a unique business opportunity for the Group to participate in future property developments projects together with our parent company, ASI, as we believe that there could be synergy in leveraging on the property development experience and expertise of ASI. Such co-operation will enable the Group to carry out more substantial development projects.

For the property market in Hong Kong, the tightened mortgage ratios, interest rates hike expectation and the further strengthened punitive tax measures to suppress the properties demand

impact the local properties market. The transaction volume, particularly the secondary mass residential sector, is expected to reduce, and in the shorter term, suppress or reduce the asset price. Luxury segment is, however, likely to be less affected. On the other hand, demand for commercial properties are still actively pursued. Retail rentals are however dropping.

For the property market in the PRC, the Mainland government has recently imposed more stringent measures to prevent the property market from being overheated, avoiding assets bubble formation and aiming a healthy sustainable growth.

As mentioned under the section headed “Reasons for the participation in property development projects with ASI” in the letter from the Board, the Directors believe that the formation of the Investment Vehicle allows the Group to further diversify its investment in property development and strengthen its property development portfolio. In turn, the Investment Vehicle is expected to provide positive contributions to the operation of the Group in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the management discussion and analysis of the Group as extracted from the annual reports of the Company for the three years ended 31 March 2016 and the interim report of the Company for the six months ended 30 September 2016 (“**Management Discussion and Analysis**”). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis. Furthermore, all pages/sections/appendices mentioned below are referred to in those of the Management Discussion and Analysis.

(i) FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**RESULTS**

The Group’s revenue for the six months ended 30 September 2016 amounted to HK\$405 million, increased by 14% when compared with the same period of last year. Profit attributable to shareholders increased by 37% to HK\$209 million, mainly due to an increase in interest income from financial investments compared to the same period of last year.

BUSINESS REVIEW

Between April 2016 and September 2016, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 28 million and 13 million, respectively, the former had a 4% decrease but the latter a 1% increase. Although Mainland China dominated the overnight visitor arrivals with a 67% of the total share, this market registered a 5% drop from the same period of last year. Reasons for the decline include but not limited to the continued strengthening of the Hong Kong dollar as well as relaxation of visa policies of other popular tourist destinations (e.g. Europe, Japan, South Korea, etc.).

As of September 2016, the total Hong Kong Hotel room supply was approximately 74,000, which was similar to the same period last year.

Excluding our recently launched Empire Prestige Causeway Bay (“**Empire Prestige**”), our 3 existing hotels in Hong Kong have achieved a 96% occupancy, while average room rate retreated by 2% from the same period of last year.

Our hotel in Canada operated at 83% occupancy and achieved an increase of 2% in room rate from last year.

HOTEL DEVELOPMENT PROJECTS

We are pleased to report that our 94 rooms’ new hotel - Empire Prestige - which is located adjacent to the Group’s existing hotel in Causeway Bay, has been completed and opened in September 2016. With its convenient location, the occupancy of Empire Prestige achieved over 90% since its opening.

The development progress of our site located adjacent to the Group's existing hotel in Tsim Sha Tsui is in progress. The exterior façade and interior fitting works have commenced following the completion of the superstructure in June 2016. This new 90 rooms' hotel is anticipated to open in the second quarter of 2017.

TRAVEL

Revenue for the travel operations during the six months ended 30 September 2016 amounted to HK\$60 million (2015: HK\$58 million).

FINANCIAL INVESTMENTS

As at 30 September 2016, the Group's financial investment portfolio that consisted entirely of listed securities amounted to HK\$2,115 million (31 March 2016: HK\$1,962 million). The increase in value of the portfolio during the period was attributed from mark to market fair value gain, and the recognition of new debt securities issued by a PRC-based real estate company as payment in-kind against a one-off coupon payment of its debt securities.

Approximately 77% of our investment portfolio comprised listed debt securities (of which approximately 95% were issued by PRC-based real estate companies), and approximately 23% comprised listed equity securities issued by major banks. They were denominated in Hong Kong dollars 8%, United States dollars 83%, Sterling 5% and Euro 4%.

During the period under review, a total of HK\$141 million (2015: HK\$92 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was mostly due to the recognition of a one-off coupon income from debt securities of a PRC-based real estate company during the period.

The investment portfolio also generated a net investment gain of HK\$81 million (2015: HK\$58 million), which was mainly due to unrealised fair value gain. The unrealised gain was largely made up of mark to market valuation gain from debt securities issued by the PRC-based real estate companies amid a series of favourable policies prevailing during the period such as cuts in interest rates, monetary easing measures, and relaxed restrictions on foreign purchase. Such gain was partially offset by mark to market valuation loss on our equity securities, which comprised major banks, caused by the exchange rate depreciation in Sterling during the period.

FINANCIAL REVIEW

The Group's total assets per book amounted to HK\$6,097 million (31 March 2016: HK\$5,788 million). Based on an independent valuation, the total revalued amount of our hotel properties in operation as at 30 September 2016 was HK\$10,471 million, increased by 8% when compared with that as at 31 March 2016. The increase was mainly due to the addition of the revalued amount of our new 94-room Empire Prestige in Causeway Bay following its commencement of operation in September 2016. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$14,034 million (31 March 2016: HK\$13,263 million).

The shareholders' funds per book amounted to HK\$3,665 million (31 March 2016: HK\$3,455 million), of which the increase was mainly due to profit for the period. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$11,528 million (31 March 2016: HK\$10,875 million).

The consolidated net debt was HK\$1,857 million (31 March 2016: HK\$1,850 million). 97% of the gross bank borrowings or HK\$2,200 million was denominated in Hong Kong dollars, and the remaining 3% or to the equivalent of HK\$71 million were in foreign currencies incurred in operations and investment in financial assets overseas.

The maturity of our debts are spread over a long period of up to 5 years. 2% of total borrowings were from revolving credit facilities secured by hotel properties. Term loans secured by hotel properties account for 98% with 5% repayable within 1 year, 20% repayable between 1-2 years and 73% repayable within 3-5 years. At 30 September 2016, the Group had net current assets of HK\$2,237 million (31 March 2016: HK\$1,901 million). All borrowings are at floating interest rates.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 16% (31 March 2016: 17%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 30 September 2016 amounted to HK\$3,008 million (31 March 2016: HK\$2,961 million).

HUMAN RESOURCES

As at 30 September 2016, the total number of full time employees of the Company and its subsidiaries was approximately 410 (31 March 2016: 380). In addition to salary, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and other benefits to its employees.

OUTLOOK

For the second half of the fiscal year, we expect our hotel operations in Hong Kong will outperform the first half because of the traditional high season for inbound tourism. According to the latest statistics published by the HK Tourism Board, the overnight visitor arrivals between April and September 2016 has a 0.6% increase from the same period of last year. This compared favourably to the decrease of 5.5% in the same period of 2015 over 2014. The management remains cautiously optimistic in the coming times for our hotel performance having regard to the strong dollar, the weak travel sentiment for Mainland tourists visiting Hong Kong, and the volatile economic environment globally.

FUTURE PROSPECTS

In view of the strong US dollar and the decline in mainland visitors to Hong Kong, our average room rates are continually under pressure at least in the short term. We will continue to pursue different short, medium and long term measures to cope with the changing circumstances, and will devote efforts, leveraging our financial position and operations in Hong Kong, to plan and exercise asset enhancement initiatives to bring long term growth in hotel room numbers and revenue to the Group.

(ii) FOR THE YEAR ENDED 31 MARCH 2016**RESULTS**

The Group's revenue for the twelve months ended 31 March 2016 amounted to HK\$677 million, decreased by 3% when compared with the same period of last year. Profit attributable to shareholders increased by 109% to HK\$251 million, due mainly to a net gain on investments in financial assets as opposed to a net loss of last year.

BUSINESS REVIEW

Between April 2015 and March 2016, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight were 58 million and 26 million, respectively, the former had a 6% decrease and the latter a 5% decrease. Although Mainland China dominated the overnight visitor arrivals with a 66% of the total share, this market registered an 8% drop from the same period of last year.

Factors that eroded Hong Kong's competitiveness as a tourist destination for mainland tourists include foreign currencies depreciation, relaxation of visa requirements and tax reimbursement measures by some foreign countries.

On the hotel supply front, there was a total supply of about 74,000 hotel rooms as of March 2016, an increase of about 1% over the preceding year.

All our hotels in Hong Kong have been operating at approximately 96% occupancy, although the average room rate dropped by 16% from that of last year because of the aforesaid negative factors affecting Hong Kong tourism.

Our hotel in Canada operated at 71% occupancy and achieved an increase of 7% in room rates from last year.

HOTEL DEVELOPMENT PROJECTS

The development progress of our two sites located adjacent to the Group's two existing hotels in Hong Kong is on schedule. For the site in Causeway Bay, the occupation permit was granted in November 2015. This new 94 rooms' hotel is scheduled for opening in the third quarter of 2016. For the site in Tsim Sha Tsui, the superstructure work has commenced in May 2015. The anticipated opening time for this new 90 rooms' hotel is in first quarter of 2017.

With a total gross floor area of approximate 65,000 sq.ft. or 184 hotel guest rooms upon completion of these two sites in 2016/2017, they will provide greater operational synergies to the Group.

TRAVEL

Revenue for the travel operations during the twelve months ended 31 March 2016 amounted to HK\$81 million (2015: HK\$76 million).

FINANCIAL INVESTMENTS

As at 31 March 2016, the Group's financial investment portfolio that consisted entirely of listed securities amounted to HK\$1,962 million (2015: HK\$1,777 million). The increase largely arose from a further investment of HK\$168 million.

Approximately 76% of our investment portfolio comprised listed debt securities (of which approximately 95% were issued by PRC-based real estate companies), and approximately 24% comprised listed equity securities issued by major banks. They were denominated in Hong Kong dollars 8%, United States dollars 81%, Sterling 7% and Euro 4%.

During the period under review, a total of HK\$186 million (2015: HK\$160 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was mostly due to the increase in portfolio size of our debt securities investment. The investment portfolio also generated a net investment gain of HK\$71 million (2015: net investment loss of HK\$105 million), which comprised unrealised and realised gains of HK\$39 million and HK\$32 million, respectively (2015: mainly unrealised fair value loss of HK\$86 million). The unrealised gain was largely made up of mark to market valuation gain from debt securities issued by the PRC-based real estate companies amid a series of favorable policies such as cuts in interest rates, monetary easing measures, and relaxed restrictions on foreign purchase. Such gain was partially offset by mark to market valuation loss on our equity securities, which comprised major banks, caused by the general downward trend of the global banking sector during the period.

As at 31 March 2016, no listed securities (2015: HK\$113 million listed securities at fair value) were pledged as collateral for short term bank loans.

JOINT VENTURE

In December 2015, the Group entered into an agreement to form a joint venture (“JV”) to purchase the land and building (located in the vicinity of the hotel owned by the Group in Vancouver, Canada, which is within walking distance to the Central Business District and main retail arterials in Downtown Vancouver. The Group, which owns 40% interest in the JV, together with our partners intend to redevelop the land into a high-end residential development. The total consideration of the acquisition was Canadian Dollars 170 million (equivalent to approximately HK\$1,017 million). The acquisition was completed on 1 April 2016.

FINANCIAL REVIEW

The Group’s total assets per book amounted to HK\$5,788 million (2015: HK\$5,159 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 31 March 2016 was HK\$9,658 million, decreased by 1% when compared with that as at 31 March 2015. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$13,263 million (2015: HK\$12,709 million).

The shareholders’ funds per book amounted to HK\$3,455 million (2015: HK\$3,265 million), of which the increase was mainly due to profit for the year. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$10,875 million (2015: HK\$10,782 million).

The consolidated net debt was HK\$1,850 million (2015: HK\$1,567 million). 97% of the gross bank borrowings or HK\$2,096 million was denominated in Hong Kong dollars, and the remaining 3% or to the equivalent of HK\$71 million were in foreign currencies incurred in operations and investment in financial assets overseas.

The maturity of our debts spread over a long period of up to 6 years. 2% of total borrowings were from revolving credit facilities secured by hotel properties. Term loan secured by hotel properties account for 98% with 10% repayable within 1 year, 6% repayable between 1-2 years, 78% repayable within 3-5 years and 4% after 5 years. At 31 March 2016, the Group had net current assets of HK\$1,901 million (2015: HK\$1,562 million). All borrowings are at floating interest rates.

The Group’s gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 17% (2015: 15%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 31 March 2016 amounted to HK\$2,961 million (2015: HK\$2,891 million).

HUMAN RESOURCES

As at 31 March 2016, the total number of full-time employees of the Company and its subsidiaries was 379 (2015: 386). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

FUTURE PROSPECTS

In view of the strong US dollar and the decline in mainland visitors to Hong Kong, our average room rates are continually under pressure at least in the short term. We will continue to pursue different short, medium and long-term measures to cope with the changing circumstances, and will devote efforts, leveraging our financial position and operations in Hong Kong, to plan and exercise asset enhancement initiatives to bring long term growth in hotel room numbers and revenue to the Group.

(iii) FOR THE YEAR ENDED 31 MARCH 2015**RESULTS**

The Group's revenue for the year ended 31 March 2015 amounted to HK\$700 million, increased by 8% when compared with last year. Profit attributable to shareholders, however, decreased by 66% to HK\$120 million. The decrease in profit was mainly attributable to unrealised fair value loss on investments in financial assets of HK\$86 million as opposed to unrealised fair value gain of HK\$116 million in the same period of last year.

BUSINESS REVIEW

Between April 2014 and March 2015, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 61 million and 27 million, respectively, the former had a 9% increase and the latter had a 4% increase. Growth has come from short haul markets where China continues to be the most important inbound source market for Hong Kong tourism.

On the hotel rooms supply in Hong Kong, approximately 2,800 new hotel rooms were opened during the period under review, and it is anticipated that the supply of new rooms will continue in 2015. There was an aggregate supply of about 73,000 hotel rooms as of March 2015, an increase of about 4% over the preceding year.

All our hotels in Hong Kong have been operating at approximately 96% occupancy, although the average room rate trailed behind that of last year by about 8%.

Our hotel in Canada operated at 65% occupancy and achieved an increase of 3% in room rate from last year.

HOTEL DEVELOPMENT PROJECTS

The development progress of our two sites located adjacent to the Group's two existing hotels in Hong Kong is on schedule. For the site in Causeway Bay, the superstructure work has been completed and the interior fittings and renovation has begun, which is expected to be completed by November 2015. This new 94 rooms' hotel is scheduled for opening in March 2016. For the site in Tsim Sha Tsui, the foundation work has been completed, and its superstructure work has begun. The anticipated opening time for this 90 rooms' hotel is in the first half of 2017.

With a total gross floor area of approximately 65,000 sq.ft. or 184 hotel guest rooms upon completion of these two sites in 2016/2017, they will provide greater operational synergies to the Group.

TRAVEL

Revenue for the travel operations during the year ended 31 March 2015 amounted to HK\$76 million (2014: HK\$32 million). The significant increase from that of last year has come from the strong growth in incentive package business.

FINANCIAL INVESTMENTS

For the period under review, many countries and regions around the world continued to generate mixed economic performances. Both the European and Japanese central banks have introduced stimulative packages to boost their economic growth while the U.S. Federal Reserve has ended its program of quantitative easing. The economy in China, though it has slowed somewhat in recent years, still expanded by 7.4% in 2014.

As at 31 March 2015, the Group's financial investment portfolio that all consisted of listed securities amounted to HK\$1,777 million (2014: HK\$1,810 million). Approximately 63% of our investment portfolio comprised listed debt securities (of which approximately 93% were issued by PRC real estate companies), and approximately 37% comprised listed equity securities (of which approximately 98% were issued by large banks). They were denominated in Hong Kong dollars 11%, United States dollars 70%, Sterling 12%, Euro 5% and Renminbi 2%.

During the period under review, a total of HK\$160 million (2014: HK\$129 million) in interest and dividend income were generated from the investment portfolio, and a net investment loss of HK\$105 million, mainly unrealised from fair value changes was also recorded (2014: gain of HK\$132 million, mainly unrealised).

As at 31 March 2015, the listed securities at fair value pledged as collateral for short term bank loans amounted to approximately HK\$113 million (2014: HK\$301 million).

FINANCIAL REVIEW

The Group's total assets per book amounted to HK\$5,159 million (2014: HK\$5,137 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 31 March 2015 was HK\$9,799 million, increased by 9% when compared with that as at 31 March 2014. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$12,709 million (2014: HK\$11,799 million).

The shareholders' funds per book amounted to HK\$3,265 million (2014: HK\$3,204 million), of which the increase was mainly due to profit for the year. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$10,782 million (2014: HK\$9,828 million).

The consolidated net debt was HK\$1,567 million (2014: HK\$1,681 million). 91% of the gross bank borrowings or HK\$1,592 million was denominated in Hong Kong dollars, and the remaining 9% or to the equivalent of HK\$157 million were in foreign currencies incurred in operations and investment in financial assets overseas.

The maturity of our debts spread over a period of up to 6 years. 7% of total borrowings were from revolving credit facilities secured by hotel properties and through the pledge of financial assets investment. Term loans secured by hotel properties account for 93% with 5% repayable within 1 year, 25% repayable between 1-2 years, 56% repayable within 3-5 years and 7% after 5 years. As at 31 March 2015, the Group had net current assets of HK\$1,562 million (2014: HK\$1,131 million). All borrowings are at floating interest rates.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 15% (2014: 17%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 31 March 2015 amounted to HK\$2,891 million (2014: HK\$2,903 million).

HUMAN RESOURCES

As at 31 March 2015, the total number of full-time employees of the Company and its subsidiaries was about 386 (2014: 387). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

FUTURE PROSPECTS

The ripples from the local political turmoil and the new supply of hotel rooms coming on continue to post pressure on our average room rates at least in the short term. We are however comforted by the fact that all our hotels are located in traditional tourist preferred city centres as opposed to those peripheral areas outside of city centres or hubs. In the meantime, we continue to devote significant efforts, leveraging our healthy financial position and operations in Hong Kong, to plan and exercise asset enhancement initiatives to bring long term growth in hotel room numbers and revenue to the Group.

(iv) FOR THE YEAR ENDED 31 MARCH 2014

RESULTS

The Group's revenue for the year ended 31 March 2014 amounted to HK\$651 million, increased by 1% when compared with the same period of last year. Profit attributable to shareholders, however, decreased by 18% to HK\$349 million. The decrease in profit was mainly attributable to a reduction in net gain on investments in financial assets as compared to the same period of last year, and a slight drop in room rates.

BUSINESS REVIEW

Between April 2013 and March 2014, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 56 million and 26 million, respectively, the former has a 15% increase and the latter a 9% increase. Growth has come from short haul markets where China continues to be the most important inbound source market for Hong Kong tourism.

On the hotel rooms supply in Hong Kong, approximately 3,000 new hotel rooms were opened during the year under review, and it is anticipated that the new rooms supply will continue in 2014. There was an aggregate supply of about 70,000 hotel rooms as of March 2014, an increase of about 5% over the preceding year.

All our hotels in Hong Kong have been operating at approximately 95%, although average room rate trailed behind that of last year by about 4%.

HOTEL DEVELOPMENT PROJECTS

The re-development progress of our two sites located adjacent to the Group's two existing hotels in Hong Kong is on schedule. For the site in Causeway Bay, the foundation work has been completed in May 2014, and the superstructure works shall commence in June 2014. For the site in Tsim Sha Tsui, the foundation work has commenced in February 2014, and is scheduled to complete in January 2015. Its superstructure works will follow.

With a total gross floor area of approximate 65,000 sq.ft. or 184 hotel guest rooms upon completion of these two sites in 2016/2017, they will increase our existing hotel gross floor area and room portfolio in Hong Kong by 13% and 19%, respectively, and will provide greater operational synergies to the Group.

TRAVEL

Revenue for the travel operations amounted to HK\$32 million (2013: HK\$36 million as restated).

FINANCIAL INVESTMENTS

For the period under review, major central banks in the world continued to follow an accommodative monetary policy with short-term interest-rate levels approaching zero. In the US, the Federal Reserve has commenced tapering of bond purchases, the pace and extent of the tapering remains highly dependent on economic conditions. In China, the GDP in 2013 recorded a year on year increase of 7.7% which was unchanged as compared with the previous year.

The Group's financial investment portfolio as at 31 March 2014 all consisted of listed securities. Approximately 61% of our investment portfolio comprised listed debt securities (of which approximately 87% were issued by PRC real estate companies), and approximately 39% comprised listed equity securities (of which approximately 94% were issued by large banks). They were denominated in Hong Kong dollars 13%, United States dollars 60%, Sterling 14%, Euro 8% and Renminbi 5%.

During the year under review, a total of HK\$129 million (2013: HK\$109 million) in interest and dividend income were generated from the investment portfolio, and a net investment gain of HK\$132 million (2013: HK\$218 million) was also recorded.

As at 31 March 2014, approximately HK\$301 million (31 March 2013: HK\$60 million) of these investments were pledged to the banks as collateral for credit facilities granted to the Group.

FINANCIAL REVIEW

The Group's total assets amounted to HK\$5,137 million (31 March 2013: HK\$4,718 million). Based on independent valuation, the total revalued amount of our four hotel properties in operation as at 31 March 2014 was HK\$9,001 million, increased by 3% when compared with that as at 31 March 2013. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$11,799 million (31 March 2013: HK\$10,998 million).

The shareholders' funds amounted to HK\$3,204 million (31 March 2013: HK\$2,896 million), of which the increase was mainly due to profit for the year. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$9,828 million (31 March 2013: HK\$9,152 million).

The consolidated net debt was HK\$1,681 million (31 March 2013: HK\$1,551 million). 83% of the gross bank borrowings or HK\$1,482 million was denominated in Hong Kong dollars, and the remaining 17% or to the equivalent of HK\$312 million were in foreign currencies incurred in operations and investment in financial assets overseas.

The maturity of our debts spread over a long period of up to 5 years. 8% of total borrowings were from revolving credit facilities secured by hotel properties. 12% of total borrowings were in the form of revolving credit facilities through the pledge of financial assets investment. 79% was term loans repayable within five years, which were also secured by hotel properties. At 31 March 2014, the Group had current assets of HK\$1,843 million (31 March 2013: HK\$1,470 million). All borrowings are at floating interest rates.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 17% (31 March 2013: 17%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 31 March 2014 amounted to HK\$2,903 million (31 March 2013: HK\$2,944 million).

HUMAN RESOURCES

As at 31 March 2014, the total number of employees of the Company and its subsidiaries was 387 (31 March 2013: 419). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

FUTURE PROSPECTS

The decline in room rates in our hotels is a major concern for the management. In the longer term, another impact upon our business is the new supply of hotel rooms coming on which will inevitably affect our performance. We are however comforted by the fact that all of our hotels are located in traditional tourist preferred city centres as opposed to those peripheral areas outside of city centres or hubs. Therefore we continue to remain cautious in the challenging times ahead for our hotel performance.

(v) FUNDING AND TREASURY POLICIES

As disclosed in the annual reports of the Company for the three years ended 31 March 2016, the Group aims to monitor risk and manage exposures to a range of debt maturities and a range of debt types in a disciplined and prudent manner. The Group strives to maintain a strong financial position with a healthy level of liquidity and low level of gearing.

(vi) EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As disclosed in the annual reports of the Company for the three years ended 31 March 2016, the Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider entering into forward foreign exchange contracts to reduce the exposure should the need arise.

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 or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(I) LONG POSITIONS IN SHARES

(a) The Company

Director	Number of shares held			Percentage of shares in issue (%)
	Personal interest	Corporate interest	Total	
Poon Jing	152,490	1,346,158,049	1,346,310,539	66.71

Note:

By virtue of Mr. Poon Jing's interest in the Company through AO and its subsidiaries as disclosed under the heading "Substantial shareholders and other persons' interests and short positions" below, Mr. Poon is deemed to be interested in the shares of all of the Company's subsidiaries.

(b) Associated corporations

Director	Associated corporations	Personal interest	Number of shares held		Total	Percentage of shares in issue (%)
			Family interest	Corporate interest		
Poon Jing	AO (<i>Note 1</i>)	273,607,688	5,318,799	145,213,900	424,140,387	50.44
	ASI (<i>Note 2</i>)	1,308,884	—	683,556,392	684,865,276	51.89
Poon Hai	AO	10,444,319	—	—	10,444,319	1.24
Fung Siu To, Clement	AO	15,440,225	—	—	15,440,225	1.83
	Mark Honour Limited	9	—	—	9	0.01

Notes:

1. By virtue of Mr. Poon Jing's controlling interest in AO, he is deemed to be interested in the Shares held by AO.
2. By virtue of Mr. Poon Jing'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

INTERESTS IN SHARE OPTIONS

(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 ("2006 Share Option Scheme") are as follows:

Director	Date of grant	Exercise price (Adjusted) (HK\$)	Exercise period	Outstanding as at the Latest Practicable Date (Adjusted)
Poon Hai	11 December 2015	0.343	11 December 2015 to 10 December 2025	14,400,000
Poon Yeung, Roderick	11 December 2015	0.343	11 December 2015 to 10 December 2025	14,400,000

Note:

The Company adopted a new share option scheme on 8 September 2016 ("2016 Share Option Scheme"). No share option has been granted under 2016 Share Option Scheme since its adoption.

(b) Associated corporation — AO

Director	Outstanding as at the Latest Practicable Date
Poon Hai	3,500,000
Poon Yeung, Roderick	3,500,000

Note:

Options were granted on 11 December 2015 and exercisable during the period from 11 December 2015 to 10 December 2025 at an exercise price of HK\$1.42 per share.

(c) Associated Corporation — ASI

Director	Outstanding as at the Latest Practicable Date
Poon Hai	3,500,000
Poon Yeung, Roderick	3,500,000

Note:

Options were granted on 11 December 2015 and exercisable during the period from 11 December 2015 to 10 December 2025 at an exercise price of HK\$1.38 per share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are 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 are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and other persons' interests and short positions

As at the Latest Practicable Date, so far as was known by or otherwise notified to the Directors and the chief executive of the Company, the particulars of the corporations or individuals (one being a Director) who had 5% or more interests in the following long and short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO (“**Register of Shareholders**”) or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (“**Voting Entitlement**”) (i.e. within the meaning of Substantial Shareholders under the Listing Rules) were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Shareholder	Number of Shares held	Percentage (%)
The Sai Group Limited	1,298,709,227	64.35
ASI (<i>Note 1</i>)	1,298,709,227	64.35
Asia Orient Holdings (BVI) Limited (<i>Note 2</i>)	1,346,158,049	66.70
AO (<i>Note 3</i>)	1,346,158,049	66.70
Wong Kwok Fong	183,148,366	9.08

Notes:

1. The Sai Group Limited is a wholly owned subsidiary of ASI. ASI is deemed to be interested in and duplicate the interest held by The Sai Group Limited.
2. Asia Orient Holdings (BVI) Limited and its subsidiaries together hold more than one-half of the issued shares of ASI and are 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.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

3. DIRECTORS' SERVICE CONTRACTS

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

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

6. INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2016 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there is no contract or arrangement subsisting in which any of the Directors are materially interested and which is significant to the business of the Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) an investment framework agreement dated 30 March 2017 entered into between ASI and the Company in connection with the establishment of a 50:50 Investment Vehicle by the Parties, in which the maximum capital commitment of each of ASI and the Company in the Investment Vehicle will be HK\$2.5 billion respectively;
- (b) a purchase and sale agreement dated 1 November 2016 entered into between AS Robson Holdings Limited and Robsonstrasse City Motor Inn Ltd. in respect of the purchase of the purchased assets at a consideration of Canadian Dollars 25,000,000 as disclosed in the announcement dated 3 November 2016;
- (c) the documents entered into between the Company, ITC Properties Group Limited, XPEC Investments Ltd. and Active Trade Investments Limited (the “**JV Partners**”) or their respective subsidiaries or nominees in relation to the establishment of the Limited Partnerships (as defined in the circular dated 15 April 2016 of the Company (the “**ASH Circular**”) which relates to the contracts described under paragraph (d) and (e) below, including but not limited to, the limited partnership agreements both dated 29 January 2016 (as amended, supplemented and restated from time to time) in relation to the Limited Partnerships and the shareholders’ agreement dated 13 April 2016 in relation to Assets Builder Investments Limited between its shareholders. The aggregate maximum capital commitment of the JV Partners in respect of the Limited Partnerships is Canadian Dollars 190,000,000, which was determined with reference to the amount of Canadian Dollars 170,100,000 for the acquisition of the Purchased Assets (as defined in the ASH Circular);
- (d) a legally-binding memorandum of agreement dated 16 December 2015 entered into between the JV Partners in relation to the formation of a joint venture as disclosed in the ASH Circular; and

- (e) a purchase and sale agreement executed on 12 December 2015 entered into between Assets Century Global Limited and Alberni Street Condominium Developments Limited Partnership in respect of the purchase of the Purchased Assets (as defined in the ASH Circular).

8. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Altus Capital Limited	A corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO

As at the Latest Practicable Date, Altus Capital has given and has not withdrawn its written consent to the issue of the circular with the inclusion herein of its reports or letter or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Altus Capital did not have shareholding 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.

As at the Latest Practicable Date, Altus Capital did not have any direct or indirect interests in any assets which have since 31 March 2016 (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.

9. GENERAL

- (a) The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) Mr. Lee Tai Hay, Dominic is the company secretary of the Company. He is a fellow member of the Hong Kong Institute of Chartered Secretaries.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal office of the Company in Hong Kong at 30th Floor, MassMutual Tower, 33 Lockhart Road, Wanchai, Hong Kong for 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to under the paragraph headed “Material Contracts” in this Appendix;
- (c) the Investment Framework;
- (d) the letter of recommendation dated 13 May 2017 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 12 of this circular;
- (e) the letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 13 to 31 of this circular;
- (f) the consent letter from Altus Capital referred to in the paragraph headed “Qualifications and Consents of Expert” in this Appendix;
- (g) the annual reports of the Company for the two years ended 31 March 2015 and 2016 respectively; and
- (h) this circular and the circulars which were issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 March 2016.

NOTICE OF SGM



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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders (the “**Shareholders**”) of Asia Standard Hotel Group Limited (the “**Company**”) will be held at Empire Club Lounge, 2nd Floor, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on Monday, 29 May 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

- (A) the Investment Framework (as defined in the circular (the “**Circular**”) of the Company dated 13 May 2017), 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 Directors be and are hereby authorised 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 of which is limited to administrative nature and ancillary to the implementation of the Investment Framework.”

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

Hong Kong, 13 May 2017

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

30th Floor
MassMutual Tower
33 Lockhart Road
Wanchai
Hong Kong

* For identification purpose only

NOTICE OF SGM

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, MassMutual Tower, 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 Wednesday, 24 May 2017 to Monday, 29 May 2017 (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 and transfer office 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 Tuesday, 23 May 2017.