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If you are in any doubt as to any aspect of 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 with the accompanying form of election 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)

**PROPOSED BONUS ISSUE OF SHARES
TO FULFIL THE PUBLIC FLOAT REQUIREMENT**

ANGLO CHINESE 英高

Financial adviser to the Company

All capitalised terms on this cover page shall have the same meanings as those defined in this circular.

The Election Form is enclosed. Qualifying Shareholders who wish to receive their entitlements under the Bonus Issue wholly in the Convertible Notes in lieu of Bonus Shares should read carefully the instructions as set out in this circular and the instructions printed on the Election Form. The Election Form should be received by the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shop no. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 14 February 2017 or date(s) as the Company may determine and announce as and when appropriate.

* *For identification purpose only*

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EXPECTED TIMETABLE

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

Last day of dealings in Shares on a cum-entitlement basis relating to the Bonus Issue (Note)	Friday, 20 January 2017
First day of dealings in Shares on an ex-entitlement basis in relating to the Bonus Issue (Note)	Monday, 23 January 2017
Latest time for lodging transfers of Shares for registration in order to qualify for the Bonus Issue.	4:30 p.m. on Tuesday, 24 January 2017
Closure of register of members for determining entitlement to the Bonus Issue (both days inclusive)	Wednesday, 25 January 2017 to Friday, 27 January 2017
Record Date for determining entitlement to the Bonus Issue	Friday, 27 January 2017
Register of members re-opens.	Wednesday, 1 February 2017
Latest day and time to submit the Election Forms for Bonus Issue.	4:30 p.m. on Tuesday, 14 February 2017
Publication of the announcement in relation to results of the Bonus Issue of Bonus Shares and election for the Convertible Notes	Thursday, 16 February 2017
Certificates of the Bonus Shares and the Convertible Notes to be despatched	Thursday, 23 February 2017
Subject to the restoration of the public float of the Company, trading of the Shares resumes on the Stock Exchange.	9:00 a.m. on Friday, 24 February 2017
Dealings in Bonus Shares commence (Note)	9:00 a.m. on Friday, 24 February 2017

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

Note: As at the Latest Practicable Date, the trading of the Shares remains suspended on the Stock Exchange.

DEFINITIONS

In this circular, unless the content otherwise requires, the following expressions have the following meanings:

“2006 Share Option Scheme”	the share option scheme adopted by the Company on 28 August 2006 and expired on 27 August 2016
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, the financial adviser to the Company in relation to proposed the Bonus Issue and is licensed by the Securities and Futures Commission for Type 6 regulated activity (advising on corporate finance)
“associates”	has the meaning ascribed to it under the Listing Rules
“AO”	Asia Orient Holdings Limited (stock code: 214), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange, 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 of the Stock Exchange and is 51.79% owned by AO as at the Latest Practicable Date
”Board”	the board of Directors
“Bonus Issue”	issue of Bonus Share(s) by the Company on the basis of two (2) Bonus Shares for every one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date, with the option to elect to receive Convertible Notes in lieu of all of their entitlements to the Bonus Shares
“Bonus Share(s)”	new Shares to be allotted, issued and credited as fully paid up under the Bonus Issue
“Business Day”	any day in which banks in Hong Kong are generally open for business, other than a Saturday, Sunday or public holiday
”Company”	Asia Standard Hotel Group Limited (stock code: 292), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange

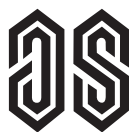
DEFINITIONS

“Convertible Note(s)” or “Note(s)”	the Convertible Note(s) to be constituted by the Deed Poll and issued by the Company pursuant to the Bonus Issue to Shareholders electing to receive the Note(s) in lieu of the Bonus Shares
“Conversion Shares”	the Shares to be issued upon conversion of the Convertible Notes in accordance with the terms of the Deed Poll
“Current Market Price”	the average of the closing price per Share for the five (5) consecutive trading days ending on the trading day immediately preceding such date
“Deed Poll”	the deed poll and any other document (as from time to time altered in accordance with the Deed Poll) to be executed by the Company in order to provide for and to protect the rights and interests of the Noteholders
“Directors”	the directors of the Company
“Election Form(s)”	the election form despatched together with this circular to the Qualifying Shareholders for them to elect to receive the Convertible Notes in lieu of all of their entitlements to the Bonus Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Japanese Noteholders”	the Qualifying Shareholders with registered addresses in Japan who elect to receive the Convertible Note(s)
“Latest Practicable Date”	20 January 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Malaysian Shareholders”	Shareholders with registered addresses in Malaysia
“Mr. Poon”	Poon Jing, the chairman of the Company
“Noteholder(s)”	holder(s) of the Convertible Note(s)
“Overseas Shareholder(s)”	Shareholder(s) whose registered address(es) appearing on the register of members of the Company at the Record Date is (are) outside Hong Kong

DEFINITIONS

“PRC”	The People’s Republic of China and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“Principal CN Registrar”	the firm or company for the time being appointed by the Company to maintain the register of Noteholders of the Company in Bermuda, currently MUFG Fund Services (Bermuda) Limited
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Malaysian Shareholder(s)
“Record Date”	the record date for the purpose of ascertaining the entitlements of the shareholder(s) to the Bonus Issue, tentatively set to be on or about Friday, 27 January 2017
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.02 each in the share capital of the Company
“Share Options”	outstanding share options granted by the Company (being 88,599,999 outstanding share options exercisable into 88,599,999 new Shares at the exercise prices ranging from HK\$1.03 to HK\$1.30 per new Share (subject to adjustment, if required) pursuant to the 2006 Share Option Scheme as at the Latest Practicable Date)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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

27 January 2017

To the Shareholders

Dear Sirs,

PROPOSED BONUS ISSUE OF SHARES TO FULFIL THE PUBLIC FLOAT REQUIREMENT

1. INTRODUCTION

Reference is made to the announcement of the Company dated 6 January 2017 (the "**Announcement**"), in which the Company announced that the Board has proposed to make a bonus issue of new Shares, credited as fully-paid, on the basis of two (2) Bonus Share for one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date.

The purpose of this circular is to set out information of the Bonus Issue, the procedures which apply in relation to the election of Bonus Shares or Convertible Notes and the actions which Shareholders should take in relation thereto.

LETTER FROM THE BOARD

2. PARTICULARS OF THE BONUS ISSUE

The Board has resolved to make a bonus issue of new Shares, credited as fully-paid, on the basis of two (2) Bonus Shares for one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date. Each Shareholder (except HKSCC Nominees Limited) will be given the option to elect to receive the Convertible Notes in lieu of all (but not part of) the Shareholder's entitlement to the Bonus Shares save and except that HKSCC Nominees Limited may elect to receive the Convertible Notes in lieu of all or part of its entitlement to the Bonus Shares. For illustrative purpose, the adjusted price per Shares would be HK\$0.453 on a fully-diluted basis upon resumption of trading based on the closing price of HK\$1.358 per Share as at the Latest Practicable Date. Given that the exact value of the Bonus Issue may vary subject to the election of the Qualifying Shareholders to receive Bonus Shares or the Convertible Notes, the Stock Exchange will display "N/A" in the previous closing field of the Company's stock page on 23 January 2017. As such, the price per Share on an ex-entitlement basis is not determinable as at the Latest Practicable Date. The Convertible Notes which carry no voting rights at general meetings of Shareholders, will be unlisted, and will have conversion rights entitling the Noteholder to convert into an equivalent number of Shares as the number of Bonus Shares which the Noteholder would otherwise be entitled to receive under the Bonus Issue had the Shareholder not elected for the Convertible Notes. In the absence of such election, a Shareholder will receive Bonus Shares under the Bonus Issue. As at the Latest Practicable Date, the number of Shares in issue was 1,570,386,829 and accordingly the Bonus Issue would give rise to the issue of the 3,140,773,658 Bonus Shares in the absence of any Shareholder electing to receive Convertible Notes in lieu of the Bonus Shares.

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

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

3. BASIS OF ALLOTMENT OF THE BONUS SHARES

Subject to the condition as set out under the heading "Condition of the Bonus Issue" below, the Bonus Shares will be issued and credited as fully paid at par on the basis of two (2) Bonus Share for one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date.

LETTER FROM THE BOARD

Each Qualifying Shareholder will be given an option to receive Convertible Notes in lieu of all of his/her/its entitlements to be Bonus Shares under the Bonus Issue. The amount of Convertible Notes which the Qualifying Shareholders (other than the Malaysian Shareholders) are entitled to receive in lieu of their entitlements to the Bonus Shares will be calculated with the following formula:

$$\begin{array}{l} \text{Amount of} \\ \text{Convertible Notes} \\ \text{(HK\$)} \end{array} = \begin{array}{l} \text{The number of Shares held on the Record Date by} \\ \text{the Qualifying Shareholders who elect to receive} \\ \text{Convertible Notes in lieu of bonus Shares} \end{array} \times 2 \times \text{HK\$}0.453$$

4. REASONS FOR THE PROPOSED BONUS ISSUE

Under the Listing Rules, the Company must comply with the public float requirement which requires that not less than 25% of the issued share capital of the Company is held by the public. The Board proposes to make this Bonus Issue to ensure the Company complies with this requirement.

The Board considered a number of options to fulfil the public float requirement, including issue of new Shares to the public or requesting AO and its subsidiaries to sell down their Shares to the public. However, the Board did not proceed with these options as the Shares were trading well below the Company's net assets per Share when compared with the closing price of the Shares on 29 December 2015, the last trading day before suspension in trading, and the net assets per Share as at 30 September 2016, an issue of over 20% of new Shares will not be in the interest of the Company and its Shareholders as a whole. Also, AO and its subsidiaries were of the view that selling down their Shares to the public at the market price was not in the interests of each of their shareholders. The Board therefore concluded that the current proposal is in the interests of the Shareholders. The Board does not expect that public Shareholders will elect to receive the Convertible Notes which carry no voting rights at general meetings of Shareholders, and will be unlisted. The conversion of the Convertible Notes is subject to the sufficiency of public float immediately after such conversion under the Listing Rules.

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

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

LETTER FROM THE BOARD

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

	As at the Latest Practicable Date		Immediately after completion of the Bonus Issue (assuming that no public Shareholders will elect to receive Convertible Notes in lieu of Bonus Shares)	
	<i>No. of Shares</i>	<i>Shareholding percentage (approx.)</i>	<i>No. of Shares</i>	<i>Shareholding percentage (approx.)</i>
AO (Note)	1,346,158,049	85.721%	1,346,158,049	66.679%
Mr. Poon	50,830	0.003%	152,490	0.007%
Public Shareholders	224,177,950	14.276%	672,533,850	33.314%
Total	1,570,386,829	100%	2,018,844,389	100%

Note: AO and its subsidiaries together held more than one-half of the issued shares of ASI and are deemed to be interested in and duplicate the interest held by ASI. By virtue of Mr. Poon's controlling interest in AO, he is deemed to be interested in the Shares held by AO. The number of Shares held by ASI as at the Latest Practicable Date is 1,298,709,227, after the completion of the Bonus Issue, assuming if only AO and ASI elect the Convertible Notes, ASI will hold approximately 64.329% of total issued Shares of the Company.

Adjustments of the Exercise Price and Number of Share Options

Subject to the granting of the listing of, and permission to deal in, the Bonus Shares and the Conversion Shares to be allotted and issued upon conversion of the Convertible Notes by the Stock Exchange, adjustments to the exercise price and number of the Share Options will be required.

Pursuant to the relevant rules of the 2006 Share Option Scheme, the provision of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005, the exercise price and number of the Share Options as a result of the Bonus Issue will be adjusted with effect from the day next following the Record Date as follows:

Exercisable Period	Existing exercise price per Share (HK\$)	Existing number of Share Options	Adjusted exercise price per Share (HK\$)	Adjusted number of Share Options
29 March 2007 to 28 March 2017	1.296	16,000,000	0.432	48,000,000
2 April 2007 to 1 April 2017	1.300	62,999,999	0.433	188,999,997
11 December 2015 to 10 December 2025	1.030	9,600,000	0.343	28,800,000

LETTER FROM THE BOARD

5. ADVICE AND RECOMMENDATION FROM THE FINANCIAL ADVISER

The Board has engaged Anglo Chinese to advise it on addressing the public float requirement under the Listing Rules, which requires that not less than 25% of the issued share capital of the Company has to be held by the public. Anglo Chinese has advised (and such advice remains applicable as at the Latest Practicable Date) that the proposed Bonus Issue has the following advantages:

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

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

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

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

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

Anglo Chinese has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its advice and recommendation or its name in the form and context appear in this circular. Anglo Chinese is licensed under the SFO to conduct Type 6 (advising on corporate finance) activities, and does not have any shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

LETTER FROM THE BOARD

6. RECOMMENDATION FROM THE BOARD

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

No action needs to be taken by Shareholders who wish to receive Bonus Shares. Shareholders will only receive Convertible Notes if they make an election to receive Convertible Notes under the Election Form.

7. PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The table below summarises the principal terms of the Convertible Note:

Number to be issued	Up to 3,140,773,658 Notes ¹
Maturity	Any Notes outstanding at the thirtieth anniversary of their issue will be redeemed at the Redemption Value
Early redemption	All Notes not converted prior to the Maturity Date have to be redeemed on the Maturity Date. Prior to the Maturity Date, the Company may compulsorily redeem the remaining Notes if at least ninety (90) per cent of the Notes originally issued pursuant to the Deed Poll have been converted.
Redemption Value	HK\$0.453 per Note ² , being the face value of the Note
Conversion Ratio	Subject to any adjustments contemplated in the Deed Poll, each Note is convertible into one (1) Share. The conversion ratio and the Redemption Value of HK\$0.453 per Note were determined by the adjusted share price of HK\$0.453 per Share on a fully-diluted basis upon resumption of trading based on the closing price of HK\$1.358 per Share as at the Latest Practicable Date

LETTER FROM THE BOARD

Adjustment to Conversion Ratio

If, between the issue date and the maturity date of the Notes, certain corporate actions are taken by the Company, the Conversion Ratio will be adjusted by the Company to take into consideration the effects of such corporate actions. Such corporate actions include (i) consolidation or subdivision of Shares, (ii) issue of Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves; (iii) issue of Shares or of any options, warrants or other rights to subscribe for or purchase of any Shares at a price per Share which is less than 90% of the then Current Market Price, (iv) issue of Shares as consideration shares for purchase of assets at a price per Share which is less than 90% of the then Current Market Price, (v) other issue of Shares at a consideration per Share which is less than 90% of the then Current Market Price, (vi) modification of the rights of conversion, exchange or subscription attaching to any such securities as mentioned in (v) above, resulting in a consideration per Share which is less than 90% of the then Current Market Price, (vii) capital distribution, (viii) rights issue of Shares, (ix) offer of any securities to holders of at least 70% of the then outstanding Shares or (x) other adjustment event agreed by the auditor of the Company, an approved financial adviser or an approved investment bank.

Other rights

Holders of the Notes have no right to participate in any future rights issue, open offer or bonus issue made to the Shareholders.

Adjustment will be made to the conversion ratio in respect of certain corporate actions as disclosed above.

Conversion period

At any time commencing on the first business day (which must be a day on which the Stock Exchange is open for business) (the “Stock Exchange Business Day”) immediately following the issue of the Convertible Notes up to and including the date falling the 10th Business Day prior to the Maturity Date and if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding such date.

Limit to conversion

No conversions will be permitted if they were to result in the public float as defined by the Stock Exchange Listing Rules falling below the prescribed percentage except in the case of delisting.

LETTER FROM THE BOARD

Coupon

- (i) The coupon on the Convertible Notes will bear interest at a rate of 0.1% per annum on the Redemption Value of the Convertible Notes payable at the same time as the payment of the final dividend on the Shares or the last business day in October of each year, whichever is the earlier. Where a final dividend on the Shares has not been declared and paid in any particular year, the 0.1% coupon will be deferred until the next dividend payment (if previously unpaid) and the accumulated deferred coupon would be paid on maturity date.
- (ii) If in any year the dividend was is less than the 0.1% coupon, the coupon payment shall be equal to the dividend amount and the excess amount up to 0.1% shall be deferred. The coupon payment which is equal to the dividend amount is payable at the same time as the payment of the final dividend or the last business day in October of that year, whichever is the earlier. The excess amount of the coupon payment up to 0.1% will be deferred until the next dividend payment and the accumulated deferred coupon (if previously unpaid) would be paid on maturity date.
- (iii) If in any year that dividend payment declared is more than the 0.1% coupon, Convertible Note shall confer on the Noteholders the right to receive any dividend pari passu with holders of the Shares (on an as converted basis) by way of a coupon payment. Such coupon payment to the Noteholder shall be the dividend payment to the holders of Shares less the 0.1% coupon paid on the Convertible Notes for that period and any previous period where the coupon had been deferred. The additional coupon payment is payable at the same time as the payment of the final dividend or the last business day in October in that year, whichever is the earlier.

Subordination

The Convertible Notes will be an unsecured obligation of the Company.

Default

The Convertible Note are in default in the event the Company fails to pay interest or to redeem the Convertible Notes.

Transferability³

The Convertible Notes are freely transferrable

Listing

No listing will be sought for the Convertible Notes

LETTER FROM THE BOARD

Notes:

1. The maximum number of Notes to be issued is equivalent to the maximum number of Bonus Shares issuable under the Bonus Issue.
2. The Redemption Value is calculated by reference to the fully diluted value based on the last traded price for the Shares preceding the Latest Practicable Date and adjusted for both the Bonus Shares and the issue of the Conversion Shares. Based on the present calculations, an amount of HK\$1,238 million at issuance will be capitalised.
3. The Convertible Notes issued to the Japanese Noteholders may not be transferred other than a transfer in “lump sum”, which means that the Japanese Noteholders must sell or otherwise dispose in whole, and not in part, of the Convertible Notes held by them.

A more detailed summary of the principal terms and conditions of the Convertible Note are set out in the Appendix to this circular.

8. FORM OF ELECTION

(a) To receive Bonus Shares

If you wish to receive Bonus Shares under the Bonus Issue, you do not need to take any action. Therefore, please DO NOT return the Election Form.

(b) To receive Convertible Notes

If you wish to receive Convertible Notes under the Bonus Issue, you should use the Election Form.

The Election Form should be completed in accordance with the instructions printed thereon, returned to and received by the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 14 February 2017. No acknowledgment of receipt of the Election Form will be issued.

The latest time for submission of the Election Form will not be valid if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 14 February 2017. Instead, the deadline for the submission of the Election Forms will be 5:00 p.m. on the same Business Day; or**
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m. on Tuesday, 14 February 2017. Instead, the deadline for the submission of the Election Forms will be rescheduled to 4:30 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m.**

LETTER FROM THE BOARD

No elections in respect of the Bonus Issue may, after the relevant Election Forms are signed and returned to the Hong Kong branch share registrar of the Company, be in any way withdrawn, revoked, superseded or altered.

9. BOOK CLOSURE

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

10. OVERSEAS SHAREHOLDERS

None of this circular, the Election Form, the Bonus Shares and the Convertible Notes will be registered or filed under the securities laws or equivalent legislation of any jurisdiction other than, if applicable, Hong Kong and Bermuda.

If you are resident outside Hong Kong, this circular and/or the Election Form only constitute(s) an invitation to subscribe for Bonus Shares or Convertible Notes if such an invitation can be legally made to you without the Company having to meet any legal or registration requirements outside Hong Kong. Shareholders residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular and/or the Election Form for information only.

As at the Latest Practicable Date, there are 17 Overseas Shareholders residing in five jurisdictions, namely Canada, PRC, Japan, Malaysia and Singapore who together held an aggregate of 8,365 Shares, representing approximately 0.001% of the entire issued share capital of the Company. The aggregate maximum number of Bonus Shares to which these Overseas Shareholders are entitled is approximately 16,730.

The Company has been advised by its legal advisers on the laws of Canada, PRC, Japan and Singapore respectively that either there is no legal restriction or there are exemptions available to the Company under the applicable legislation or requirement of any relevant regulatory body or stock exchange in these four jurisdictions with respect to the offer of the Bonus Shares or Convertible Notes to the Overseas Shareholders with registered addresses in these four jurisdictions as at the Latest Practicable Date.

The Company has also been advised that Shareholders with registered addresses in the province of Ontario, Canada may lawfully be allowed to participate in the Bonus Issue without registration and/or formalities under Canadian securities legislation. However, unless certain conditions are satisfied, the first trade by Shareholders in the province of Ontario, Canada of these Bonus Shares may only be traded in accordance with applicable prospectus and registration requirements or pursuant to

LETTER FROM THE BOARD

exemptions from prospectus and registration requirements. While Shareholders in the province of Ontario, Canada will not be excluded from the Bonus Issue, such Shareholders are advised to consult their own professional advisers with regard to the relevant legal requirements for trading in the Bonus Shares.

This circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this circular and any other document or material in connection with the Bonus Issue may not be circulated or distributed, nor may any Bonus Shares or Convertible Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances pursuant to, or in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

The Company has also been advised by legal advisers in Malaysia that the Bonus Shares may be offered to the Malaysian Shareholders without regulatory approval under the applicable legislation in Malaysia or requirement of any relevant regulatory body in Malaysia; however, the Convertible Note(s) may not be offered to the Malaysian Shareholders without complying with local approval and/or registration requirements and/or other formalities under the laws of Malaysia. As it would not be cost-effective or expedient for the Company to comply with the approval and/or registration requirements and/or other formalities under the laws of Malaysia in relation to the offer of the Convertible Notes to the Malaysian Shareholders, the Board has decided that, subject to the exception set out in the following paragraph, it would be expedient to exclude the Malaysian Shareholders from being given the option to receive Convertible Notes in lieu of their Bonus Shares. As such, all statements and information contained in this circular in relation to the Convertible Notes and the proposed issue thereof are only for information purposes for the Malaysian Shareholders.

Therefore, the Election Forms will not be sent to the Malaysian Shareholders generally. However, the Election Forms will be sent to those Malaysian Shareholders who can prove to the satisfaction of the Company that such action would not result in a contravention of any applicable legal or regulatory requirements or formalities. Malaysian Shareholders who wish to be given the option to receive Convertible Notes should notify the Company forthwith. In any event, the completed Election Forms should be returned to and received by the Hong Kong branch share registrar of the Company, at the address and before the time set out in paragraph 8 above.

Moreover, the Company has also been advised by legal advisers in Japan that in respect of the offer and issue of the Bonus Shares and the Convertible Notes, the Company is exempted from submitting (1) file securities registration statement (*Yuka Shoken Todokede-sho*, or “SRS”), (2) prepare and distribute prospectus, and (3) file securities reports to the relevant authority. However, the Japanese Noteholders may only sell or otherwise dispose of their Convertible Notes to another party in whole, and not in part, (the “**Transfer Restriction**”). The Transfer Restriction only applies to transfers of the Convertible Notes executed, solicited or negotiated in Japan. Therefore if Convertible Notes are held by a nominee company on behalf of a person resident in Japan, the Transfer Restriction will not apply to any transfer made by that nominee company on behalf on that person resident in Japan provided that all sales activities occur outside of Japan.

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For the avoidance of doubt, the Bonus Shares and/or the Convertible Notes is not offered to the public (other than the Shareholders) and the Election Form are non-transferable.

Notwithstanding the legal advice taken by the Company, it is the responsibility of anyone wishing to participate in the Bonus Issue to satisfy themselves as to full observance of the laws of any relevant territory, including obtaining any governmental or other consents which may be required. Overseas Shareholders who are in doubt as to their position should consult their own professional advisers.

11. CONDITION OF THE PROPOSED BONUS ISSUE

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

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Bonus Shares and the Conversion Shares to be issued upon conversion of the Convertible Notes. The certificates in relation to the Bonus Shares and Convertible Notes are expected to be despatched at the risk of those entitled thereto to their respective addresses shown on the register of members of the Company as at the Record Date on Thursday, 23 February 2017. On this basis, dealings in the Bonus Shares are expected to commence at 9:00 am on Friday, 24 February 2017 after the due despatch of the share certificates with respect to the Bonus Shares to the relevant Shareholders.

The Bonus Shares and Conversion Shares will only be listed on the Stock Exchange. No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list its securities on any other stock exchange.

Dealings in Bonus Shares and Conversion Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect your rights and interests.

The Convertible Notes will not be listed.

12. DISCLOSURE OF INTERESTS

Shareholders should note that an acquisition of Bonus Shares or Convertible Notes may give rise to notification requirements under the SFO. Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

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13. GENERAL INFORMATION

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

Yours faithfully,
For and on behalf of
ASIA STANDARD HOTEL GROUP LIMITED
Lim Yin Cheng
Deputy Chairman and Chief Executive

APPENDIX TRANSFER PROCEDURE AND SUMMARY OF PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

The Convertible Notes will be issued subject to and with the benefit of a separate instrument by way of the Deed Poll and they will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The Convertible Notes will represent direct obligations of the Company to the Noteholders as described in the Deed Poll. The following is a summary of the major provisions of the Deed Poll. The Noteholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Deed Poll. A copy of the Deed Poll will be available for inspection by the Shareholders at the principal place of business for the time being of the Company in Hong Kong up to and including Tuesday, 14 February 2017.

TRANSFER PROCEDURE OF THE CONVERTIBLE NOTES

Transfer

Please refer to Condition 4 below for the transfer requirement of the Convertible Notes. The transfers and registration of the Convertible Notes are also subject to the regulations set out in the Deed Poll.

The Principal CN Registrar will maintain a register of the Noteholders in Bermuda. RBC Corporate Services Hong Kong Limited at 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong will receive documents in respect of splitting and registration of transfer of the Convertible Notes and to submit the same to the Principal CN Registrar for registration.

Transfer form

A transfer of the Convertible Notes shall be effected by completing and signing under the hand of the transferor or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorized in writing, a prescribed form of transfer which is available to be obtained at the office of the Principal CN Registrar c/o RBC Corporate Services Hong Kong Limited at 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Registration

The Note Certificate (as defined below) must be delivered for registration during normal business hours (Monday to Friday, 9:00 a.m. to 4:30 p.m.) at the office of Principal CN Registrar c/o RBC Corporate Services Hong Kong Limited at 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong accompanied by (i) a duly executed transfer form (which is available at the above Principal CN Registrar's office); (ii) in case of the execution of the transfer form on behalf of a corporation by its officers, the authority of that person or those persons to do so; and (iii) such other evidence (including legal opinions) as the Company may reasonably require if the transfer form is executed by some other person on behalf of the Noteholder.

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Splitting the Note Certificates

Any Noteholder can split the Note Certificate(s) held by him/her/it by lodging it with the Principal CN Registrar during normal business hours (Monday to Friday, 9:00 a.m. to 4:30 p.m.) at the office of Principal CN Registrar c/o RBC Corporate Services Hong Kong Limited at 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong accompanied by (i) a written request and (ii) the original Note Certificate(s) held by such Noteholder.

Delivery of new Note Certificates

Subject to unforeseen circumstances beyond the control of the Company, the Company will, within fourteen (14) days of the request for transfer or a splitting of the Note Certificates being duly made, deliver at the office of Principal CN Registrar c/o RBC Corporate Services Hong Kong Limited at 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to the transferee or despatch by uninsured post (at the request of the transferee) to such address as the transferee provided, new Note Certificate(s) in favour of the transferee or assignee as applicable.

Where some but not all the amount of the Convertible Notes in respect of which a Note Certificate is issued are to be transferred or converted, a new Note Certificate in respect of the Convertible Notes not so transferred or converted will, within fourteen (14) days of delivery of the original Note Certificate to the Principal CN Registrar, be delivered at the office of Principal CN Registrar c/o RBC Corporate Services Hong Kong Limited at 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to the transferor or despatch by uninsured post (at the request of the transferee) to such address as the transferor provided.

Formalities free of charge

Registration of transfer of the Convertible Notes will be effected free of charge, subject to the payment (or the giving of such indemnity as the Company may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

In case of the issue of replacement Note Certificates, a fee of HK\$160 per certificate cancelled or issued will be charged.

Closure of the register

The Noteholder may not require the transfer of a Convertible Notes to be registered during the period of fifteen (15) calendar days ending on the due date for any payment of principal or interest in respect of such Convertible Notes.

Contact

Should any Noteholder require have any enquiries regarding the procedures for transfer procedure of the Convertible Notes, such Noteholder may contact the Principal CN Registrar at its hotline at (852) 2978 5700 or email at hkcosec@rbc.com between 9:00 a.m. and 5:00 p.m. from Mondays to Fridays (excluding Hong Kong public holidays).

**APPENDIX TRANSFER PROCEDURE AND SUMMARY OF PRINCIPAL
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SUMMARY OF TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

The summary of the principal terms and conditions of the Convertible Note are set out below.

INTERPRETATION

Words and expressions used in this Appendix shall have the meanings attributed to them below unless the context otherwise requires. Other defined terms in this Appendix shall have the meanings attributed to them in the “Definitions” section of this circular:

“**Conditions**” means the terms and conditions of the Deed Poll for the subscription and holding of the Convertible Notes and “**Condition**” refers to the relative numbered paragraph of the Conditions set out in the Deed Poll;

“**Conversion Date**” means a Stock Exchange Business Day on which the Conversion Rights are exercised in accordance with the Conditions and shall be the date as described in Condition 7.2.1;

“**Conversion Notice**” means a conversion notice materially in the form set out in Schedule 2 to the Deed Poll;

“**Conversion Period**” means the period commencing on the first Business Day immediately following the date of issue of the original Convertible Notes (which must be a Stock Exchange Business Day and if not, the Stock Exchange Business Day immediately following) up to and including the date falling on the 10th Business Day prior to the Maturity Date and if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date;

“**Conversion Ratio**” means the ratio at which Conversion Shares will be issued upon conversion of the Note. Subject to any adjustments contemplated under the Deed Poll, each Note is initially convertible into one (1) Conversion Share;

“**Conversion Shares**” means the Shares to be issued by the Company under the Convertible Notes (whether upon exercise by the Noteholder of the Conversion Rights or otherwise pursuant to the Conditions);

“**Maturity Date**” means the thirtieth anniversary of the date of issue of the Convertible Notes;

“**Note Certificates**” means the certificates to be issued in respect of the Convertible Notes and substantially in the form set out in Schedule 1;

“**Redemption Value**” means the redemption value of each Convertible Note being HK\$0.453 per Convertible Note;

“**Stock Exchange Business Day**” means any day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange is open for business.

**APPENDIX TRANSFER PROCEDURE AND SUMMARY OF PRINCIPAL
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1 CONSTITUTION OF THE CONVERTIBLE NOTES

- 1.1 The Company constitutes the Convertible Notes and covenants in favour of each Noteholder that it will duly perform and comply with the obligations expressed to be undertaken by it in the Deed Poll in relation to the Convertible Notes.
- 1.2 The Company will pay any stamp, issue, registration, documentary and other fees, duties and taxes, including interest and penalties, payable on or in connection with (a) the execution and delivery of the Deed Poll, (b) the constitution and original issue of the Convertible Notes, (c) the deposit of Note Certificates for conversion and the issue and delivery of the Conversion Shares on conversion (other than the taxes or duties relating to depositing the Note Certificates) to be payable by the relevant Noteholder) and (d) any action taken by or on behalf of any Noteholder to enforce, or to resolve any doubt concerning, or for any other purpose in relation to, the Deed Poll.

2 REDEMPTION AND MATURITY

- 2.1 The outstanding Convertible Notes shall, unless previously converted, be automatically redeemed at the Redemption Value in accordance with the terms of the conditions of the Deed Poll on the Maturity Date. The Convertible Notes may not be repaid otherwise than in accordance with the terms and conditions of the Deed Poll.
- 2.2 The Convertible Notes which are converted will forthwith be cancelled and such Convertible Notes may not be reissued.

3 FORM AND STATUS

- 3.1 The Convertible Notes are in registered form.
- 3.2 Except upon and after the commencement of the Company's liquidation, the obligations of the Company arising under the Convertible Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and will rank *pari passu* (proportionally and without any preference amongst themselves) with all other existing and future unsecured and unsubordinated obligations of the Company. Upon and after the commencement of the Company's liquidation, the obligation of the Company to make any payment in respect of the Convertible Notes shall be contingent on the prior discharge of all the other obligations of the Company, whether unsecured, secured, preferred or otherwise.
- 3.3 No application shall be made for a listing of the Convertible Notes.
- 3.4 The Noteholders will not be entitled to vote at any general meetings of the Company by reason only of it being the holder of the Convertible Notes.
- 3.5 The Note Certificates will be signed manually or in facsimile by two Directors authenticated manually by or on behalf of such person, firm or company as for the time being tasked to

APPENDIX **TRANSFER PROCEDURE AND SUMMARY OF PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES**

maintain the register of Noteholders in Bermuda (the “**Registrar**”). The Company may use the facsimile signature of any person who at the date of the Deed Poll is a Director even if at the time of issue of any Note Certificate he no longer holds such office and the Convertible Notes in respect of which a Note Certificate is so executed and authenticated will be binding and valid obligations of the Company.

4 REGISTER, TITLE AND TRANSFERS

- 4.1 The Company will maintain a register (the “**Register**”) in respect of the Convertible Notes in a place outside of Hong Kong in accordance with the applicable requirements of the company law in Bermuda. The Register will show, amongst other things, the Redemption Value of the Convertible Notes, the date of issue of the Note Certificates, the name and address of the initial Noteholders and the dates of all transfers to, and the names and address of, all subsequent Noteholders. Note Certificates will be issued to the Noteholders in respect of their registered holdings.
- 4.2 The Company shall receive requests for the transfer of Convertible Notes in accordance with the terms and conditions of the Deed Poll and the regulations set out in the Deed Poll and shall issue new Note Certificates to give effect to such transfers.
- 4.3 Any transfer of the Convertible Notes by any Noteholder (except HKSCC Nominees Limited) must be in multiples of board lots of 10,000 or if the Noteholder holds any Convertible Notes in less than a board lot, the Noteholder shall transfer the entire remaining amount of the Convertible Notes held by him.

5 INTEREST

- 5.1 The coupon on the Convertible Notes will bear interest at a rate of 0.1% per annum on the Redemption Value of the Convertible Notes payable at the same time as the payment of the final dividend on the Shares or the last business day in October of each year, whichever is the earlier date. Where a final dividend on the shares has not been declared and paid, the 0.1% coupon will be deferred until the next dividend payment and the accumulated deferred coupon would be paid on maturity date. The Convertible Note shall confer on its holders the right to receive any dividend *pari passu* with holders of the Shares (on an as converted basis) by way of a coupon payment. Such coupon payment to the Noteholder shall be the dividend payment to the holders of Shares less the 0.1% coupon paid on the Convertible Notes for that period and any previous period where the coupon had been deferred. In the case that dividend payment was declared which amount to less than the 0.1% coupon, the coupon payment shall be equal to the dividend amount and the excess amount up to 0.1% will be deferred. In any event, all accumulated deferred coupon payments would be paid at maturity.
- 5.2 On the Maturity Date or such earlier date of repayment as notified by the Noteholders under Condition 11.1 listed below, the Company shall pay (a) the full amount of the outstanding

APPENDIX TRANSFER PROCEDURE AND SUMMARY OF PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

interest accrued but not paid under Condition 5.1 above regardless whether a final dividend on the Shares were declared, and (b) interest on the outstanding Redemption Values of the Convertible Notes for the period from the date of the last interest payment date referred to in Condition 5.1 to the Maturity Date or such earlier date of repayment, as the case may be.

5.3 Whenever it is necessary to compute an amount of interest in respect of the Convertible Notes for a period of less than a full year, such interest will be calculated on the basis of a 365 day year and the actual number of days elapsed in the relevant period.

5.4 Each Convertible Note will cease to bear interest after the first of the following dates:

5.4.1 the Maturity Date (inclusive); and

5.4.2 in case of the exercise of the right to convert the Convertible Notes into Conversion Shares by the Noteholders, the date on which the conversion rights are exercised in accordance with the terms and conditions of the Deed Poll (inclusive),

unless payment of the full amount due is improperly withheld or refused or unless default is otherwise made in respect of any such payment. In such event, interest will continue to accrue until payment of the full amount is made.

6 EARLY REDEMPTION

6.1 All Convertible Notes not converted prior to the Maturity Date have to be redeemed on the Maturity Date.

6.2 Prior to the Maturity Date, the Company may compulsorily redeem the remaining Convertible Notes if at least 90% of the Convertible Notes originally issued pursuant to the Deed Poll have been converted.

7 CONVERSION

7.1 Conversion Rights

7.1.1 *Noteholders' Conversion Rights:* Each Noteholder has the right to convert the Convertible Notes for Conversion Shares during the Conversion Period.

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7.1.2 *Number of Conversion Shares to be issued:* The number of Conversion Shares to be issued on conversion of the Convertible Notes will be determined by multiplying the total number of Convertible Notes to be converted by the Conversion Ratio in effect at the Conversion Date. On conversion, the right of the Noteholder to repayment of the Redemption Value of the Convertible Notes being converted (and, subject as provided in Condition 5.4, accrued interest thereon) shall be extinguished and released, and in consideration and in conversion therefor, the Company shall allot and issue the Conversion Shares credited as paid up in full.

7.1.3 *Fractions of Shares:* Fractions of the Conversion Shares will not be issued on conversion and no cash adjustments will be made in respect thereof.

7.1.4 *Conversion Ratio:* The Conversion Ratio will be subject to adjustment in the manner provided in the Deed Poll, the events which give rise to adjustment are set out in Condition 7.3.

7.1.5 *Revival after Default:* Notwithstanding the provisions of Condition 7.1.1 above, if the Company shall default in making payment in full in respect of the Convertible Notes which shall have been called or due for redemption thereof, the conversion rights attaching to the Convertible Notes will continue to be exercisable up to the close of business on the date upon which the full amount of the moneys payable in respect of such Convertible Notes has been duly received by the Noteholder.

7.1.6 *Minimum public float:* Other than in connection with an offer or a scheme pursuant to Condition 8.5.1 below or with the approval of the Stock Exchange:

- (a) Each Noteholder shall not have the right to convert the whole or part of the principal amount of the Convertible Notes to the extent that immediately after such conversion, there will not be sufficient public float as required under the Listing Rules.
- (b) In the case where the Company does not have sufficient public float as required under the Listing Rules to issue all the Conversion Shares, unless otherwise agreed between the Noteholders, each Noteholder shall only be entitled to convert such number of Shares which ensures minimum public float on a pro-rata basis, based on the then outstanding number of the Convertible Notes held by the relevant Noteholder proportional to the then total outstanding number of the Convertible Notes.

7.2 Conversion Procedure

7.2.1 *Conversion Notice:* To exercise the Conversion Rights attaching to the Convertible Notes, the Noteholder must complete, execute and deposit, not later than 5:00 pm (Hong Kong time), at his own expense and at the principal place of business of the Company in Hong Kong, a Conversion Notice in the prescribed form (which is available at the Registrar) together with the relevant Note Certificates and any amounts required to be paid by the Noteholder under Condition 7.2.2 below.

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The Conversion Date must fall at a time when the conversion right attaching to the Convertible Notes is exercisable and will be deemed to be the Stock Exchange Business Day immediately following the date of the delivery of the relative Note Certificate and Conversion Notice and any amounts to be paid by the Noteholder under Condition 7.2.2. The Conversion Notice once delivered shall be irrevocable.

7.2.2 *Stamp Duty etc.*: The Noteholder depositing the Note Certificates for conversion must pay to the Company any taxes and capital, stamp, issue and registration duties arising on issue of the Conversion Shares (other than any taxes or capital or stamp duties payable in Hong Kong or Bermuda or in the place of any alternative stock exchange where the Shares will be listed and traded in respect of the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes and listing of such Shares) and the Noteholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of the Convertible Notes in connection with such conversion. The Company will pay all other expenses arising on the issue of Conversion Shares.

7.2.3 *Despatch of Share Certificate*: As soon as practicable and in any event not later than ten (10) Stock Exchange Business Days after the Conversion Date, the Company will, provided that the Convertible Notes converted on exercise of the Conversion Rights and in respect of which a Conversion Notice has been delivered and amounts payable by the Noteholder deposited and paid as required by Condition 7.2.2, register on the Company's register of members, the person or persons designated for the purpose in the Conversion Notice as the holder(s) of the relevant number of Conversion Shares.

7.2.4 *Registration Date*: The Noteholder or any person specified for that purpose in the Conversion Notice will become the holder(s) of record of the number of Conversion Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Conversion Shares issued will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date as if the Conversion Shares had been issued on such date (except for any right excluded by mandatory provisions of applicable law). A holder of Convertible Shares shall not be entitled to any rights, the record date for which precedes the relevant Registration Date, unless the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of the Convertible Notes, but before the Registration Date.

7.2.5 *Payment of Interest*: At the same time as the despatch of the share certificates in respect of the Conversion Shares, the Company shall pay the Noteholder (a) the full amount of the outstanding interest accrued under Condition 5.1 above attaching to the Convertible Notes so converted regardless whether a final dividend on the Shares were declared, and (b) interest on the outstanding Redemption Value of the Convertible Notes for the period from the date of the last interest payment date referred to in Condition 5.1 to Conversion Date.

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7.3 Adjustments to the Conversion Ratio

7.3.1 The Conversion Ratio will be subject to adjustment upon occurrence of the following events:

- (a) *Consolidation or Subdivision*: If and whenever there shall be an alteration to the number of issued Shares as a result of consolidation, subdivision or reclassification;
- (b) *Capitalisation of Profits or Reserves*: If and whenever the Company shall issue any Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or contributed surplus), other than Shares paid up out of profits or reserves (including as aforesaid) and issued in lieu (in whole or in part) of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which does not constitute a capital distribution (as defined in the Deed Poll);
- (c) *Issues at less than Current Market Price for cash*: If and whenever:
 - (i) the Company, any of the subsidiaries of the Company (the “**Subsidiaries**”) or any other entity acting pursuant to specific arrangements with the Company, shall issue (other than by way of a subscription right) for cash any securities convertible into or exchangeable for or carrying rights of subscription for new Shares (other than Conversion Shares issued or on the exercise of any rights of conversion into, or exchange or subscription for or sale of, Shares) or issue or grant for cash or for no consideration any options, warrants or other rights to subscribe for or purchase of any Shares (other than the Convertible Notes), in each case at a price per Share which is less than 90% of the Current Market Price (as defined in the Deed Poll); or
 - (ii) the Company, any of its Subsidiaries, or any other entity acting pursuant to specific arrangements with the Company, shall sell Shares, held (whether directly or indirectly (also through Subsidiaries or fiduciary companies)) by the Company or any of its Subsidiaries, for a price less than 90% of the Current Market Price per Share at the date of the sale;
- (d) *Issues at less than Current Market Price as consideration shares*: If and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined in the Deed Poll) which is less than 90% of the Current Market Price per Share;
- (e) *Other Issues at less than Current Market Price*: If and whenever the Company or any of its Subsidiaries or (at the direction or request of pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity shall issue wholly for cash any securities (other than the Convertible Notes) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the Current Market Price per Share on the last Stock Exchange Business Day preceding the date of announcement of the terms of issue of such securities;

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- (f) *Modification of Rights of Conversion, etc. at less than the Current Market Price:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities (other than the Convertible Notes) as are mentioned in Condition 7.3.1(e) (except if such modification is in accordance with the terms applicable to such securities upon issue) so that following such modification the consideration per Share is less than 90% of the Current Market Price per Share on the last Stock Exchange Business Day preceding the date of announcement of the proposals for such modification;
- (g) *Capital Distribution:* If and whenever the Company shall pay or make any capital distribution to the Shareholders (except where, and to the extent that, the Conversion Ratio falls to be adjusted under Condition 7.3.1(k));
- (h) *Rights Issues of Shares, Open Offer of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the Current Market Price per Share on the last Stock Exchange Business Day preceding the date of announcement of the terms of such issue or grant;
- (i) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights, or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);
- (j) *Other Offers to Shareholders:* If and whenever the Company or any of its Subsidiaries or, (at the direction or request of pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity offers any securities in connection with which offer the Shareholders generally (meaning for these purposes the holders of at least 70% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Ratio falls to be adjusted under Condition 7.3.1(h) or 7.3.1(i));
- (k) *Other Adjustment determined by the Company:* If the Company determines that an adjustment should be made to the Conversion Ratio as a result of one or more events or circumstances not referred to in this Condition 7.3.1, the Company shall, upon prior consultation with the Noteholders, at its own expense and acting in good faith, request the auditors of the Company or an approved financial adviser or an approved investment bank to determine as soon as practicable what adjustment (if any) to the Conversion Ratio is fair and reasonable to take account thereof, whether the adjustment would result in a reduction of the Conversion Ratio and the date on which such adjustment should take effect and any discount or premium between the revalued net asset value (as defined in the Deed Poll) and the Current Market Price. Upon such determination, an adjustment shall be made and shall take effect in accordance with such determination.

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7.3.2 The Conversion Ratio may not be reduced so that on conversion of the Convertible Notes, the Conversion Shares shall be issued at a discount to their par value.

7.3.3 No adjustment will be made to the Conversion Ratio when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any Subsidiary or any associated company of the Company pursuant to any share option scheme of the Company or any other grantees under such share option scheme.

8 COVENANTS RELATING TO CONVERSION RIGHTS

So long as any Conversion Rights are, or are capable of being or becoming, exercisable, the Company covenants to the Noteholders that:

8.1 *Availability of Shares:* The Company shall keep such number of available, authorised but unissued Shares to be issued upon conversion of the Convertible Notes from time to time;

8.2 *Limited Issues of Shares:* The Company shall not create or issue any class of share capital other than Shares without giving notice to the Noteholders in accordance with the terms and conditions of the Deed Poll;

8.3 *Restricted Action:* The Company shall not make any issue, grant or distribution of or take any other action if the effect thereof would be that, on the conversion of Convertible Notes, Conversion Shares would have to be issued at a discount;

8.4 *Consolidation, amalgamation, merger:* In the case of any consolidation or amalgamation of the Company with, or merger of the Company into, any other corporation (other than a consolidation, amalgamation or merger in which the Company is the surviving corporation), or in the case of any sale or transfer of all or substantially all of the assets of the Company, the Company shall forthwith give notice to the Noteholders to ensure that the Noteholders will have the right (upon the time on which such Convertible Notes shall be convertible) to convert such Convertible Notes into the class and amount of shares and other securities which would have become liable to be issued upon the conversion of the Convertible Notes immediately prior to such event at the Conversion Ratio as adjusted pursuant to the terms and conditions of the Deed Poll;

8.5 *Extension of Offer:* If any offer is made to all or substantially all Shareholders as a class (other than the offeror and/or any associate or associates of the offeror) to acquire all or a majority of the issued equity share capital of the Company, or if any person proposes a scheme with regard to such acquisition, the Company shall give notice of such offer or scheme to the Noteholders at the same time as any notice thereof is sent to its Shareholders stating that details concerning such offer or scheme may be obtained from the Company and:

8.5.1 the Company shall use all reasonable endeavours to permit Noteholders to convert their Convertible Notes into Shares so as to participate in the offer or scheme as Shareholders; and

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8.5.2 where such an offer or scheme has been recommended by the Board of the Company or where such an offer has become or been declared unconditional in all respects, the Company shall use all reasonable endeavours to procure that a like offer or scheme is extended to all remaining Noteholders;

8.6 *Notification of Adjustment:* To notify the Noteholders forthwith upon the happening of an event as a result of which the Conversion Ratio may be adjusted pursuant to the Conditions of the Deed Poll and provide a notice setting forth the particulars of the events and adjustment to the Conversion Ratio and the date of such adjustment takes effect;

8.7 *Closure of Register of Shareholders:* Unless so required by applicable law or regulation or for the purpose of establishing any dividend or other rights attaching to the Shares, the Company shall not close its register of Shareholders or otherwise prevent the transfer of its Shares generally, and shall ensure the Convertible Notes be converted legally, the Convertible Shares be issued upon conversion, and be transferrable upon issued; and

8.8 *Maintenance of Listing:* The Company shall use all reasonable endeavours to maintain a listing on the Stock Exchange for all the issued Shares for the time being and, listing of the Conversion Shares upon their issue.

9 COVENANTS OF THE COMPANY

9.1 So long as any of the Convertible Notes remains outstanding, the Company will give certain covenants to the Noteholders regarding, amongst other things, its conduct of affairs, circulation of its financial statements to the Noteholders upon publication, notification of any event of default, compliance with the provisions of the Deed Poll, and maintain a listing of the Shares on the Stock Exchange.

9.2 The Company will also give certain covenants to the Noteholders that it shall not, without the Noteholders' consent, change the rights of the Convertible Notes, create new classes of securities, reclassify outstanding shares, decrease the authorised share capital of the Company and amend the bye-laws of the Company.

10 NOTICES RELATING TO THE CONVERSION RIGHTS

10.1 In case of (i) the grant of right to subscribe for Shares to all or substantially all the Shareholders by the Company, (ii) declaration of a dividend or distribution in respect of Shares other than a regular cash dividend, (iii) reclassification of the Shares or any consolidation, merger or amalgamation to which the Company is a party or any sale or transfer of all or substantially all of the assets or business of the Company; (iv) issue of any securities or right to subscribe for or purchase Shares which will upon issue give rise to an adjustment to the Conversion Ratio pursuant to the terms and conditions of the Deed Poll or a voluntary or involuntary dissolution, liquidation or winding-up of the Company, the Company shall promptly give written notice thereof to the Noteholders in accordance with the terms and conditions of the Deed Poll.

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10.2 If, while any Conversion Rights are or are capable of being or becoming exercisable, there shall be any adjustment to the Conversion Ratio, the Company shall as soon as practicable notify the Noteholder of particulars of the event giving rise to the adjustment, the Conversion Ratio after such adjustment and the date on which such adjustment takes effect.

11 EVENT OF DEFAULT

11.1 If any of the following events (“**Events of Default**”) occurs, any Noteholder will be entitled to give notice to the Company that the Convertible Notes held by him are immediately due and payable at the principal amount then outstanding together with any accrued and unpaid interest calculated up to the date of payment:

11.1.1 *Non-Payment*: there is a failure to pay the Redemption Value or any interest on the Convertible Notes;

11.1.2 *Non-delivery of Shares*: any failure by the Company to deliver any Conversion Shares;

11.1.3 *Breach of Other Obligations*: there is a material breach of any representation or other obligations of the Company under the Convertible Notes or the Deed Poll and such breach is incapable of remedy, or is not remedied within thirty (30) days;

11.1.4 *Insolvency*: the Company or any of its Principal Subsidiaries (as defined below) is insolvent or bankrupt or unable to pay its debts;

11.1.5 *Winding-up*: an order is made or an effective resolution passed for winding-up or dissolution of the Company or any of its Principal Subsidiaries or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations;

11.1.6 *Bankruptcy Proceedings*: proceedings are initiated against the Company or any of its Principal Subsidiaries;

11.1.7 *Breach of laws, etc*: Material breach of law or regulation (including the Listing Rules) which will result in a material adverse effect on the Company or its Principal Subsidiary;
or

11.1.8 *Analogous Events*: any analogous event of the above events.

11.2 An Event of Default may be waived by an Extraordinary Resolution of the Noteholders at a meeting duly convened in accordance with the provisions for convening meetings for Noteholders contained in the Deed Poll.

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11.3 For the purposes of Condition 11.1, a “**Principal Subsidiary**” of the Company shall mean any subsidiary of the Company either (a) whose net operating revenues, as shown by the latest published audited accounts (consolidated in the case of a company which itself has subsidiaries) of such Subsidiary, are at least 10% of the consolidated net operating revenues of the Company as shown by the latest published audited consolidated accounts of the Company; or (b) whose net assets, as shown by the latest published audited accounts (consolidated in the case of a company which itself has subsidiaries) of such Subsidiary, are at least 10% of the consolidated net assets of the Company as shown by the latest published audited consolidated accounts of the Company.

12 BENEFIT OF THE DEED POLL

12.1 The Deed Poll shall take effect as a deed poll for the benefit of the Noteholders from time to time until the date on which all the obligations of the Company under or in respect of the Convertible Notes have been discharged in full.

12.2 The Deed Poll shall enure to the benefit of each Noteholder and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce the Deed Poll against the Company. Each Noteholder shall be entitled to severally enforce to covenants, obligations and conditions against the Company insofar as each such Noteholder’s Convertible Notes are concerned, without the need to join any other Noteholder in the proceedings for such enforcement.

12.3 The Company shall not assign or transfer any of its rights, benefits and obligations under the Deed Poll. Each Noteholder shall be entitled to assign all or any of its rights and benefits under the Deed Poll.

13 GOVERNING LAW AND JURISDICTION

13.1 The Deed Poll and the Convertible Notes constituted by it are governed by, and shall be construed in accordance with, Hong Kong law.