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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**

#### **PARTICIPATING IN DEVELOPMENT PROJECTS WITH ASI**

The Board is pleased to announce that 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.

#### **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.

The Company will convene the SGM at which ordinary resolutions in respect of the Transaction will be proposed for approval by the Independent Shareholders, which are the Shareholders other than Mr. Poon Jing, AO, ASI and their respective associates. In this regard, the Shares held by Mr. Poon Jing, AO, ASI and their respective associates shall abstain from voting on the ordinary resolutions to approve the Transaction.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming, will be established to consider the terms of the Investment Framework and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Transaction is in the ordinary and usual course of business of the Company, the terms and conditions 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. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, which will be disclosed in the circular to be prepared and despatched by the Company in connection with the SGM.

#### **GENERAL**

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Transaction. A circular containing among other things, (i) further information on the Transaction; (ii) the recommendation of the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Company; (v) the notice of the SGM; and (vi) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 28 April 2017 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

#### **INTRODUCTION**

The Board is pleased to announce that 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 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 date of this announcement, 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 date of this announcement, 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, 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 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.

### ***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.

### ***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 authorized 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.

### ***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.

### ***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 intended 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 intended 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. Based on the above, the Directors 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.

## **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.

## **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.

The Company will convene the SGM at which ordinary resolutions in respect of the Transaction will be proposed for approval by the Independent Shareholders, which are the Shareholders other than Mr. Poon Jing, AO, ASI and their respective associates. In this regard, the Shares held by Mr. Poon Jing, AO, ASI and their respective associates shall abstain from voting on the ordinary resolutions to approve the Transaction.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming, will be established to consider the terms of the Investment Framework and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Transaction is in the ordinary and usual course of business of the Company, the terms and conditions 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. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, which will be disclosed in the circular to be prepared and despatched by the Company in connection with the SGM.

## GENERAL

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Transaction. A circular containing among other things, (i) further information on the Transaction; (ii) the recommendation of the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Company; (v) the notice of the SGM; and (vi) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 28 April 2017 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings in this announcement:

“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, 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, Mr. Leung Wai Keung and Mr. Hung Yat Ming, all being independent non-executive Directors, to be established to advise the Independent Shareholders in respect of the Transaction
“Independent Financial Adviser”	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
“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
“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 announcement, excluding Hong Kong, Macau and Taiwan
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

“SGM”	a special general meeting of the Company to be convened 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

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

Hong Kong, 30 March 2017

*As at the date of this announcement, the executive Directors 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 are Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming.*

*\* for identification purpose only*